

Positive start for the year anchored on consistent commercial and operational momentum

- Solid internet and digital revenue growth of 3.2% year-on-year (Y-Y) while sustaining underlying performance
- Effects from border closures, changes in prepaid subscribers and revenue mix moderated top line growth
- EBITDA margin stood resilient at 47.5% while operational cash flow rose to RM580 million or 37.4% margin
- Net debt to EBITDA ratio remained healthy at 1.7 times

1Q 2021 OPERATIONAL SUMMARY

Subscriber development

Malaysian active data subscribers continued to grow steadily by 2.1% Q-Q and 6.3% Y-Y to offset the declining migrant data segment driven by affordable high-speed internet passes. However, the continuation of closed borders had adversely impacted prepaid subscriber base by 237k Q-Q to 7.16 million from lower inbound traffic of tourist and migrants, whilst ARPU was uplifted to RM33. We continued to drive prepaid acquisitions while intensifying on-ground activities in under-represented segments.

Postpaid subscriber base enlarged to 3.09 million users following net adds of 46k Q-Q driven by stabilised acquisition and lower churn rate. This reflected our tactical efforts on driving focused acquisition and building contracted base through our newly launched Digi Postpaid portfolio to further capture customer loyalty, retain long-tenure subs, as well as creating new revenue opportunities. ARPU however trimmed to RM65 partially due to lower roaming ARPU.

Total subscriber base lowered to 10.25 million whilst blended ARPU increased to RM43 (+RM1 Q-Q and +RM2 Y-Y), underpinned by our resilience and innovative offerings to support quality and loyal subscribers.

Network performance

Our 4G LTE and LTE-A network coverage now serves over 92% and 75% of Malaysia population nationwide, respectively alongside extensive fiber network of 10k KM. This underscored by our prioritisation of investments in accelerating Malaysia's 4G connectivity and coverage to support national digitalisation plans. Our front-liners ensured high network quality and resilience, especially in high-demand and critical locations during the quarter as reflected in our #1 position as the most consistent network to serve over 8.80 million internet subscribers amid traffic hikes. Total data consumption rose 4.6% Q-Q and 28.2% Y-Y, or equivalent to average data per user of 19.7GB.

Operational Statistics	1Q2020	4Q2020	1Q2021	Q-Q	Y-Y
Postpaid ('000)	3,061	3,044	3,090	1.5%	0.9%
Prepaid ('000)	7,948	7,397	7,160	-3.2%	-9.9%
Total subscribers ('000)	11,009	10,441	10,250	-1.8%	-6.9%
Postpaid ARPU (RM)	69	66	65	-1.5%	-5.7%
Prepaid ARPU (RM)	30	32	33	3.3%	11.1%
Blended ARPU (RM)	40	42	43	4.5%	7.7%
Monthly active users for MyDigi ('mil)	4.0	4.4	4.5	2.3%	10.9%
Monthly average data per user (GB)	14.5	19.0	19.7	3.7%	35.9%
Internet subscribers	83.5%	83.5%	85.9%	2.4%	2.4%
4G subscribers	80.3%	84.8%	87.2%	2.4%	6.9%
Smartphone penetration rate	85.4%	87.3%	89.2%	1.9%	3.8%
Population Coverage (%)					
4G (LTE)	90.7%	91.6%	91.7%	0.1%	1.0%
4G Plus (LTE-A)	73.0%	74.8%	75.0%	0.2%	2.0%
Fibre Network (km)	9,617	9,981	10,052	0.7%	4.5%

1Q 2021 FINANCIAL SUMMARY

Revenues

Total revenue trimmed marginally by 0.7% Q-Q to RM1,550 million led by steady internet contribution and device sales. Y-Y drop of 0.6% was attributed to lower non-internet contribution of -19.8% cushioned by digital revenue growth of 77.8%. Service revenue of RM1,337 million sustained its Q-Q momentum on steady underlying performance from continued good commercial momentum in Consumer and B2B segments despite lower digital revenue by -10.1% Q-Q on softer gaming activities. Service revenue decline of -3.6% Y-Y was challenged by the impact from roaming declining -56.6% Y-Y compounded by Covid-19 impacted market slowdown. Excluding roaming, service revenue would have declined by -2.6% Y-Y.

Prepaid revenue remained resilient at RM640 million to sustain its sequential momentum despite -6.7% Y-Y development on reduced traditional and non-internet usages. Similarly, postpaid revenue of RM618 million was flat sequentially driven by steady internet contribution whilst Y-Y decrease of -5.9% was challenged by the ongoing health crisis. Finally, device and other revenues rose to RM213 million from encouraging take-ups for value accretive PF365 plans and newly launched smartphones.

Cost of goods and services (COGS)

Q-Q cost development remained flat on lower traffic and digital costs amid prolonged Covid-19 restrictions despite higher device cost to fuel stronger demands for device bundles. Meanwhile, Y-Y increase of 5.0% was largely attributed to higher digital costs to support digital demands, offset by lower roaming volumes.

Operating expenditures (OPEX)

Q-Q OPEX rose 6.0% on better sales and promotion activities for new products and higher operations and maintenance expenses to support capacity upgrades and enhanced digital capabilities, alongside non-recurring cost benefits in previous quarter. On a Y-Y basis, the improvement of 1.7% was reinforced by better efficiencies amid quieter on-ground developments.

Provision for doubtful debts (PFDD) improved to RM10 million, or a remarkably low PFDD ratio of 1.6% on efficient credit management and collection process. Opex to service revenue remained healthy at 30.2%.

EBITDA before other items (boi)

EBITDA (boi) moderated -3.8% Q-Q and -2.5% Y-Y to RM737 million reflective of soft topline development offset by well managed OPEX expenses. EBITDA (boi) margin equalised to 47.5% to underscore resilient core performances.

Profit after tax (PAT)

Sequential PAT reduced to RM265 million by -4.8% or 17.1% margin after adjusting for higher depreciation and amortisation of RM309 million. 4Q2020 included the one-time impact of RM51 million fixed assets write-off coupled with reduced depreciation by RM54 million from a fixed asset reconstruction exercise and higher finance costs. Y-Y PAT of -20.2% was adversely impacted by mark-to-market adjustments on interest rate swaps as a RM22 million fair value loss was registered in 1Q2021 on higher projected forward-looking interest rates. This was in contrast with the fair value gain of RM37 million recorded in the same period last year when the projected interest rates decreased substantially at the onset of the global Covid pandemic.

Capex and operations cash flow

Digi invested higher capex Y-Y of RM157 million or 10.1% of total revenue to support network rollouts and site deployments. Operational cashflow remained healthy at RM580 million, or margin of 37.4%.

Shareholder return

Earnings for the quarter trimmed 0.2 sen Q-Q and 0.7 sen Y-Y to 3.6 sen per share. Meanwhile, the Board of Directors declared 1st interim dividend of 3.4 sen per share equivalent to RM264 million.

2021 outlook and guidance

We note on the exciting prospects of the proposed merger between Digi and Celcom to create a leading telecommunication service provider in Malaysia for accelerated digital growth and innovation. In the meantime, we remain steadfast on driving business as usual for the remaining of 2021 on delivering on our priorities; built on robust financials, organisational agility, trusted brand and responsible business standards.

Digi is reaffirming FY2021 guidance of low single digit decline for service revenue, medium single digit decline for EBITDA and capex-to-total revenue ratio of 14% to 15%.

Income Statement (RM'm)	1Q2020	4Q2020	1Q2021	Q-Q	Y-Y
Service revenues	1,387	1,350	1,337	-1.0%	-3.6%
Device and other revenues	173	211	213	0.9%	23.1%
Total revenues	1,560	1,561	1,550	-0.7%	-0.6%
Cost of goods and services (COGS)	(397)	(417)	(417)	0.0%	5.0%
<i>Cost of materials</i>	<i>(195)</i>	<i>(214)</i>	<i>(230)</i>	7.5%	17.9%
<i>Traffic charges</i>	<i>(202)</i>	<i>(203)</i>	<i>(187)</i>	-7.9%	-7.4%
Gross profit	1,163	1,144	1,133	-1.0%	-2.6%
Operating expenditures (OPEX)	(411)	(381)	(404)	6.0%	-1.7%
<i>Sales & marketing</i>	<i>(110)</i>	<i>(96)</i>	<i>(102)</i>	6.3%	-7.3%
<i>Staff costs</i>	<i>(64)</i>	<i>(68)</i>	<i>(62)</i>	-8.8%	-3.1%
<i>Operations & maintenance</i>	<i>(58)</i>	<i>(39)</i>	<i>(59)</i>	51.3%	1.7%
<i>USP fund and license fees</i>	<i>(80)</i>	<i>(82)</i>	<i>(81)</i>	-1.2%	1.3%
<i>Other expenses</i>	<i>(86)</i>	<i>(78)</i>	<i>(90)</i>	15.4%	4.7%
<i>Credit loss allowances</i>	<i>(13)</i>	<i>(18)</i>	<i>(10)</i>	-44.4%	-23.1%
EBITDA before other items	756	766	737	-3.8%	-2.5%
<i>EBITDA (boi) margin</i>	<i>48.5%</i>	<i>49.1%</i>	<i>47.5%</i>	-1.5%	-0.9%
Depreciation, amortisation and impairment	(306)	(276)	(309)	12.0%	1.0%
Other items	-	(51)	-		
Profits before interests and tax (PBIT)	450	439	428	-2.5%	-4.9%
Net finance costs	(14)	(63)	(69)	9.5%	392.9%
Profit before tax (PBT)	435	377	359	-4.8%	-17.5%
Taxation	(103)	(97)	(94)	-3.1%	-8.7%
Profit after tax (PAT)	332	280	265	-5.4%	-20.2%
<i>PAT margin</i>	<i>21.3%</i>	<i>17.9%</i>	<i>17.1%</i>	-0.8%	-4.2%
Capex	139	275	157	-42.9%	12.9%
Operational cash flow	617	491	580	18.1%	-6.0%

* EBITDA herein is EBITDA before other incomes and other expenses. Please see more details in the note of the Financial Statements.

Summary of Financial Position (RM'm)	1Q2020	4Q2020	1Q2021	Key Financial Ratios	1Q2020	4Q2020	1Q2021
Cash and short-term deposits	307	303	217	Earnings per share (sen)	4.3	3.6	3.4
Other assets	7,690	7,883	7,759	Dividend per share (sen)	4.2	3.6	3.4
TOTAL ASSETS	7,997	8,186	7,976	CAPEX to total revenue (%)	8.9%	17.6%	10.1%
Conventional borrowings	718	555	493	Operational cash flow margin (%)	39.6%	31.5%	37.4%
Islamic borrowings	2,247	2,316	2,242	Conventional debt over total asset (%)	9.0%	6.8%	6.2%
Finance lease	2,062	2,581	2,586	Net debt to EBITDA (times)	1.5	1.7	1.7
Other liabilities	2,320	2,128	2,064				
Total liabilities	7,347	7,580	7,385				
Total equity	650	606	591				
TOTAL LIABILITIES AND EQUITY	7,997	8,186	7,976				