# How We Create Value

## FINANCIAL CAPITAL

Digi's financial capital is carefully managed and allocated to run day-to-day business operations efficiently and to fund attractive expansion plans. This capital is generated from business activities, investments as well as from external funding from financial institutions. Digi aims to continue to create value for all stakeholders with prudent financial capital management.

**Mapping to Our Strategy and Material Matters** G4 R5

(Please refer to pages 38-40 on detailed description of our Material Matters)

### Key Inputs

Market capitalisation at **RM33,899 million** (as of 31 December 2021)

Total assets of **RM7,840 million**

Credit ratings of **AAA/Stable/P1** on RAM rating

Net debt to earnings before interests, taxes, depreciation and amortisation (EBITDA) at **1.6x**

Operating cash flow of **RM2,606 million**

Total Revenue **RM6,336 million**

### Key Activities

- Grew quality of the subscriber base by targeting Malaysian Prepaid, Postpaid and B2B segments, increased penetration into the underprivileged customer segment and reduced focus on low quality segments
- Disciplined OPEX management through ongoing initiatves to drive operational efficiencies
- Improved credit management and collection processes
- Prioritised investment with prudent CAPEX management to sustain network leadership and drive digital capabilities

### Outcomes

- Delivered revenue growth from core segments and devices growth
- Grew quality of subscriber base
- Leveraged rising internet and digital adoption
- Disciplined cost management supporting growth and modernisation
- Enhancement in digital payments and affordable product offerings to drive cost efficiencies
- Prioritised operational efficiency and focused on driving growth in core segments
- Solid track record of near 100% dividend payout ratio supported by a robust balance sheet and a low gearing ratio

### Challenges in securing the capital

- Closure of international borders and prolonged movement control orders (MCOs) resulted in lower roaming revenue and significant change in data usage and consumer patterns
- Impact of Covid-19 on economy, business sentiment and employment led to business shutdowns and lower consumer spending
- Forgoing revenue to support national relief efforts such as provisioning of free data, zero-rated calls, and digitalisation subsidies
- Highly competitive industry with many players offering low-entry products and unlimited data plans, creating margin pressure
- Global supply and logistics tightness and increased geopolitical tensions creating inflation pressure and supply chain disruptions

### Outlook - Our continuous focus:

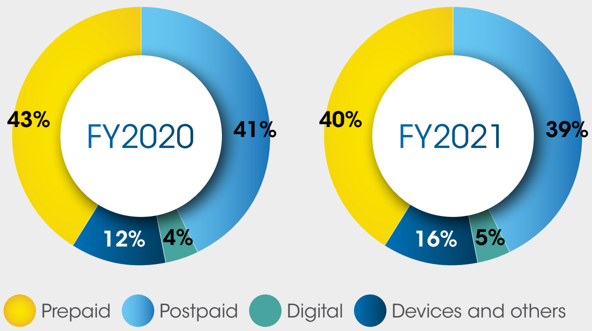
- Continue optimising financial capital management in an uncertain macro environment balancing efficiency and growth
- Ensure that we remain vigilant and ahead of emerging business trends and accelerated internet adoption and digitalisation
- Widen penetration into different customer segments and seek new growth opportunities
- Maintain network quality to meet customers' needs and expectations
- Take a leading role in 5G adoption

Our detailed performance and outcomes created are further deliberated on the following pages.

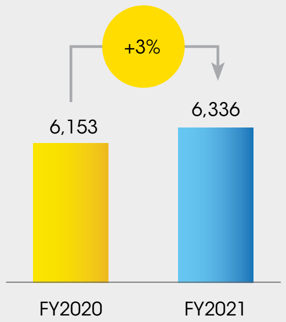
## Delivered revenue growth from core segments and devices growth

- Strategic shift to reduce reliance on traditional prepaid voice has significantly improved the quality of our subscriber base and lifted revenue

### Sustainable Revenue Mix (%)




### Total Revenue (RM'mil)

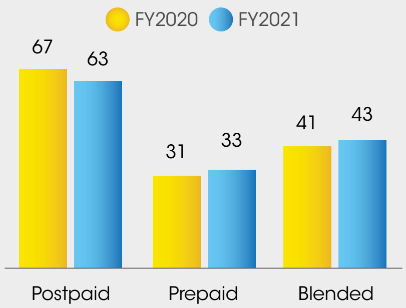



- Resilient Postpaid with targeted acquisition and base management approach
- Negative Prepaid trend reversed, supported by growth in Malaysian segment
- Strong subscriber growth through attractive fibre broadband and family bundles offering
- Devices and other revenue up **37.2% YoY** reflecting high demand for PhoneFreedom 365 programme

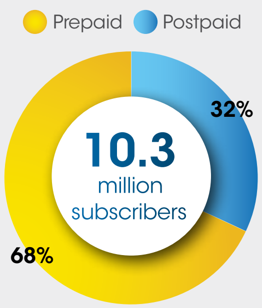
## Grew quality of subscriber base

- Focused on building loyalty amongst Malaysian base through contracting and personalised renewal promotions
- Curated multi-tiered internet passes for various segments such as youth, senior citizens and mass consumers
- Leveraged high-speed internet proposition to target new and underpenetrated segments
- Reduced reliance on low quality high churn segments
- Postpaid and Malaysian Prepaid consumers reacted positively to Digi's product offerings which focused on high-speed, quality network, attractive smart bundles and entry-level plans
- Digi's Fibre Broadband grew consistently via upselling activities to our existing mobile customers by leveraging rising internet adoption
- The decline in the prepaid base was mainly due to the exit from the lower-end migrant segments with high churn rates

### ARPU Development (RM)




### Total Number of Subscribers




### Expanded active Malaysian base

**+10.5%** Malaysian active subscribers

Increased year-on-year from continuous acquisition efforts

### Postpaid subscribers

**~253k** Postpaid subscriber net additions

Increased year-on-year for five quarters in a row to total 3.3 million Postpaid subscribers

### Fibre Broadband subscribers growth via upselling

**6X stronger** Fibre Broadband subscribers

Total Fibre Broadband subscribers: ~13,000 (FY2020: ~2,000)

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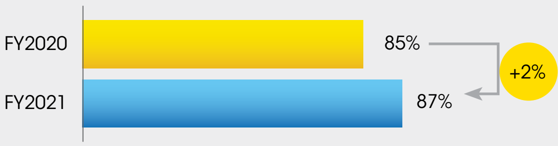
## Leveraged rising internet and digital adoption

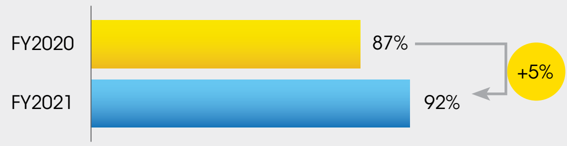
- Completion of 3G network shutdown in January 2022 in line with JENDELA initiative enabled 3G spectrum to be re-farmed to improve the network performance of 4G, contributing to more 4G subscribers and higher smartphone penetration rate
  - Voice over LTE (VoLTE) traffic increased from 24% in FY2020 to 56% in FY2021

### Internet users' expansion

4G subscribers



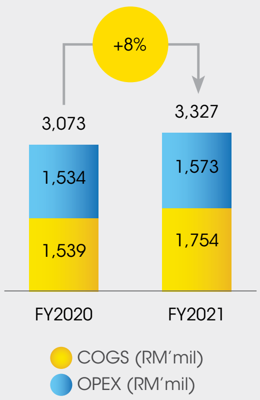

Smartphone penetration rate




## Disciplined cost management to support growth and modernisation initiatives

### Total Cost

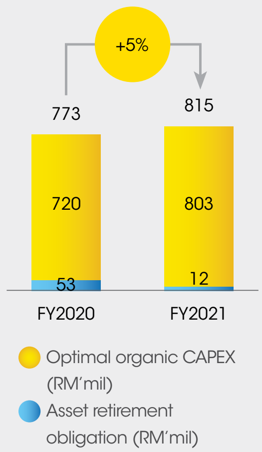
- Optimised cost allocation to prioritise modernisation initiatives in improving overall customer experiences
- Overall cost increase mainly driven by higher handset sales reflecting strong growth of Postpaid segment




- Cost of goods and services (COGS) grew **14%** YoY mainly due to growth in device and digital businesses
- Operating expenditures (OPEX) to service revenue ratio for the full year remained healthy at **29.5%**
- Modest OPEX growth of **2.5%** mainly driven by network expansion

### Prudent CAPEX allocation

- Prioritised investments to sustain network leadership and drive digital capabilities
- Disciplined capital allocation to support JENDELA




**Sustained Total CAPEX-to-Total Revenue Ratio**

**+12.9%**

Support growing network coverage and digital enhancement (FY2020: 12.6%)

**CAPEX allocation for network modernisation**

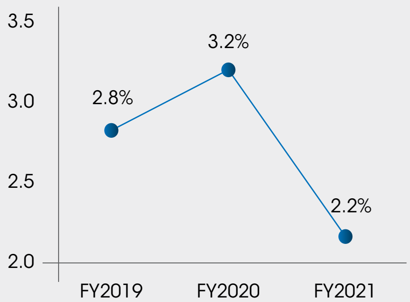
**> 65%**

Part of our modernisation journey to drive efficient rollouts of 4G, in line with national digitalisation agenda

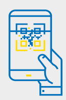
## Enhancement in digital payments and affordable product offerings to drive cost efficiencies

- Continued digitalisation to increase touch free digital payment methods drove solid collections during the year
- Combination of seamless customer journey and affordable, flexible products proved to be an effective strategy in customer retention and curtailing delinquencies
- Digi recorded lower expected credit loss (ECL) of RM55 million (RM82 million in FY2020) flowing through to a lower ECL ratio of 2.2%, alongside stronger free cash flow supported by robust collections

### ECL ratio




### Levers for improving ECL ratio:



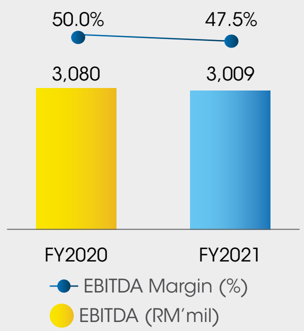
Increasing digital payment solutions


Affordable and flexible products

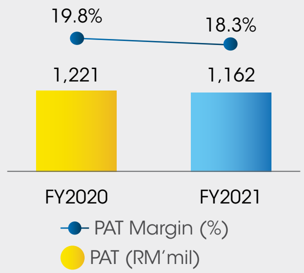
## Prioritised operational efficiency and focused growth initiatives in core segments

- Resilient EBITDA margins driven by modernised operations
- Profit after tax (PAT) of RM1,162 million slightly down mainly due to flow through from EBITDA, higher depreciation charges for 3G network shutdown and increased finance costs (FY2020:19.8%)
- Maintained profitability margins in a competitive market excluding the effect from higher device sales

**Resilient EBITDA**




**Resilient PAT**




## Solid track records of near 100% dividend payout ratio

- Continued to exceed the company's dividend policy of distributing a minimum **80%** of net profits
- Sustainable return with high dividend payout reflecting our commitment to our shareholders, amidst the challenging environment

**14.9**
Earnings per share (sen)
(FY2020: 15.7)

**14.9**
Dividend per share (sen)
(FY2020: 15.6)

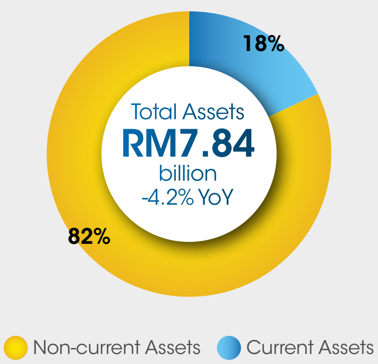
**RM1,158 million**
Approved Dividend by Board
(FY2020: RM1,213 million)

Near
**100% payout**
Dividend payout ratio

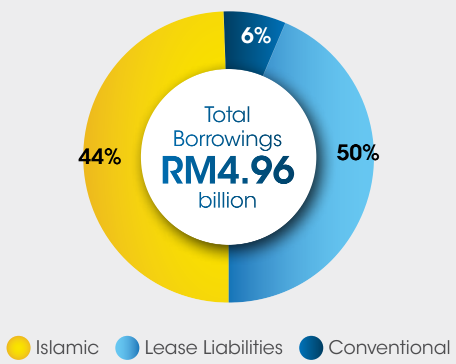
## Maintained a robust balance sheet and a low gearing ratio

- Total Assets of **RM7.84 billion** reflecting our solid financial capabilities and flexibility to fund future growth opportunities
- Healthy return on total asset at **14.8%**
- Prudent management of gearing and capital allocation

**Total Assets**




**Total Borrowing**




**Gearing and net debt level**

**1.6X**
Net debt to EBITDA
(FY2020: 1.7x)

**4%**
Conventional debt over total assets ratio below 33% threshold set by Securities Commission Malaysia (FY2020: 7%)