

## Chief Financial Officer's Statement

2021 was undoubtedly a challenging year with the nation focusing on rebuilding growth momentum and staying connected while people were working or studying from home. As we entered the second year of the Covid-19 pandemic, Digi remained focused on keeping customers, businesses and stakeholders connected while continuing to strengthen our operations and financial performance.

In this context, we are proud of our 2021 results. One of the things that has warmed me since I joined Digi in August 2021 was the relentless commitment and dedication of all my colleagues, as well as the entire telecommunications industry and public officials in weathering the challenges brought upon us by the ongoing pandemic.

In this environment, I am so proud of how our shareholders have supported us and how Digi has succeeded not only to continue to operate efficiently and deliver strong results, but also how we continued to invest in our leading network and improve coverage all around the country.

**All this would not have been possible without the consistent commitment over time to the principles of disciplined capital management, both in allocating capital to our value creating initiatives, as well as in the distribution of attractive returns to our shareholders.**

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**Otto Magne Risbakk**  
*Chief Financial Officer*



## Chief Financial Officer's Statement



## How did Digi perform financially compared to FY2020?



In FY2021, we delivered steady financial results within guidance amidst a challenging and unprecedented operating environment. The impact of volatile macroeconomic conditions on consumer confidence and business spend were partly mitigated by relevant government support initiatives, some of which also supported our sector.

Although financial results declined marginally, we saw encouraging improvements in key revenue segments and continued improvements in operational efficiency. While total service revenue declined by 1.6%, we succeeded in building a strong momentum in our Postpaid, Fibre, and Business segments. We added approximately 253,000 new Postpaid customers to reach 3.3 million subscribers. In the fourth quarter of 2021, the Postpaid segment revenue was higher than the Prepaid revenue for the first time in FY2021. Nevertheless, we made significant progress in attracting higher quality Malaysian Prepaid subscribers. We also grew our Fibre subscriber base to approximately 13,000 customers in its first full year. Our Business segment realised a 4.8% revenue growth from large enterprises seeking advanced managed solutions and SMEs seeking to digitalise their businesses. All in all, total revenue upped 3.0% to RM6,336 million, as handset sales increased to support our growing Postpaid business, offsetting the decline in service revenue.

In line with the growth in our device and digital business, our costs of goods sold (COGS) of RM1,754 million was 14.0% higher. On the operating expenditure (OPEX) front, we have also recorded a modest increase of 2.5% mainly driven by 4G network coverage expansion and site upgrade works to deliver improved network experience for our customers. OPEX-to-service-revenue ratio remained healthy at 29.5%, highlighting our prudent cost management and efficient operations.

Despite the prolonged movement restrictions in Malaysia, we were able to minimise bad debt risks and improve collections. These were achieved by focusing on effective customer acquisition mechanisms and digitalising payment methods. As a result, we recorded a low expected credit loss (ECL) of RM55 million as compared to RM82 million a year ago.

For the full 2021 year, earnings before interest, tax, depreciation and amortisations (EBITDA) reached RM3,009 million, a decline of 2.3%. The EBITDA margin was 47.5%, down from 50.0% in 2020. However, the underlying operating 2021 EBITDA margin was similar to 2020 excluding handset sales.

Our conservative balance sheet and low gearing again secured a high EBITDA to profit after tax (PAT) conversion. PAT for 2021 reached RM1,162 million, a decline of 4.8% due to flow through from EBITDA, higher depreciation charges mainly caused by our 3G network shutdown and a small increase in finance costs. Despite the minor decline, our PAT margin remains among the best in the industry.

Supported by a strong balance sheet and low gearing, we were able to comfortably maintain the near 100% dividend payout ratio, distributing RM1,158 million in dividends to our shareholders.

Building on the execution momentum in 2021, we entered 2022 full of confidence, with a stronger and more resilient customer base, a well-invested and modernised asset base, and a solid capital structure.

## Chief Financial Officer's Statement

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**How did macroeconomic and Covid-19 challenges impact Digi in terms of its financial decisions?**

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The macroeconomic impact of Covid-19 has impacted Digi in many different ways, both directly and indirectly. As a provider of critical communication and connectivity services to consumers as well as business customers, our purpose of empowering societies and connecting people to what matters most has never been more relevant.

Our customers have relied heavily on our services during the various phases of movement restrictions caused by Covid-19, for example students following classes and taking exams from home, employees working remotely, families keeping contact with their loved ones, businesses moving sales and services online, and so on. The change in consumer patterns and the increase of data traffic required a swift response from Digi.

To meet the needs of all our customers and to ensure customers and society continued to work seamlessly and stay safe, we had to make internal decision processes faster, accelerate digitalisation of internal processes, and increase investments in network capacity and quality to meet data traffic growth of 22%. I am proud to say that we succeeded well in this endeavor. Not only did we manage to keep all our customers connected, we also managed to deliver record-high internet speed and solidify our position as the fastest and most consistent network in Malaysia, as recognised by external benchmark. I am impressed by the excellent work done by all Digizens and grateful for the support we received from the Board to reprioritise and accelerate investments during this difficult time.

After almost two years of pandemic, society is gradually adapting and living alongside with Covid-19. However, certain effects of the pandemic persist, and the economic outlook for our markets remain clouded. Malaysia has closed its borders for the past two years. The extended closure and movement restrictions have decreased consumer and business spending, negatively affecting demand, and lowering roaming revenue.

It is difficult to predict when the effects of the Covid-19 pandemic will start abating. We are hopeful for a gradual recovery in 2022, but with all the investments and learnings we have made in the last two years, we are also prepared for a prolonged impact.

Data traffic growth

22%



## Chief Financial Officer's Statement



How has Digi progressed in delivering on its environmental, social and governance (ESG) aspiration and plans?



Responsible business is one of three key pillars of our strategy, and ESG is a fundamental part of this. We are proud of our contributions and recognitions in this important area – we are member of FTSE4Good Bursa Malaysia Index with ESG score of 3.8, Sustainalytics' ESG risk rating of 18<sup>th</sup> percentile, which is one of the highest of in the region, and we have been part of CDP's voluntary environmental disclosure of carbon reporting since 2009 via Telenor Group, and more.

Nevertheless, there is much more to do in the years to come in cooperation with the industry and authorities, both locally and on an international level. We fundamentally believe that business and ESG targets are complementary and not contrasting. Fortunately, we are not alone in this battle. We enjoy strong support from our Board and our investors are increasingly placing ESG as a key investment criteria.

A key element of ESG is climate. We take an active approach in addressing climate change and are working closely with the industry, government, environmental agencies, and partners towards achieving a net zero greenhouse gas emissions by 2050, in line with the Paris Agreement. While challenges remain in large scale CO<sub>2</sub> reductions due to our dependency on the national grid, we will continue to strengthen our governance and reporting mechanisms while exploring new technologies and solutions.

Digi also invested significant human and financial capital to support our ESG agenda. We have participated in public, industry and private forums, and supported many local initiatives. For example, through our partnership with Astro on the #KamiCareMBiz programme, we offered RM500,000 worth of digital solutions and mobile plans to help local micro and small business owners go digital. We had also pledged RM1 million to GDRN (GLC/GLIC Disaster Response Network), disbursing the remaining RM750,000 in 2021, via Mercy Malaysia to support Covid-19 relief efforts.



#### FTSE4Good

FTSE4Good Bursa  
Malaysia Index  
(2021/22) ESG  
indices score of

**3.8**



#### SUSTAINALYTICS

ESG risk rating of

**18<sup>th</sup> percentile**  
one of the highest for the region

#KamiCareMBiz partnership

**RM500,000**

worth of digital solutions and  
mobile plans provided to  
help local micro and small  
business owners go digital

GDRN Covid-19 relief efforts

**RM750,000**

disbursed in 2021, part of  
RM1 million pledged in  
2020

## Chief Financial Officer's Statement

**How did Digi manage its capital in FY2021?**

Capital allocation and maintaining a strong and flexible capital structure are key priorities for Digi. Our capital allocation policy is firmly based on stringent criteria for value creation, guided by our three strategic pillars of pursuing growth, modernisation and responsible business. Thanks to the solid performance and strong balance sheet, Digi could continue its investment strategy despite the pandemic.

In 2021, we continued our targeted CAPEX and OPEX investments to maintain our leading position in terms of network quality, operational efficiency and ESG. For both CAPEX and OPEX investments, we would always prioritise investments that support customer needs, followed by initiatives to support modernisation and digitalisation. Most of our RM815 million CAPEX in 2021 was spent to enhance our 4G network, catering for the increase in data consumption (more than 20GB per user, up 8.9% versus 2020) and delivering 100% of our JENDELA commitments.

Our industry-leading OPEX-to-Sales ratio of 24.8% in 2021 as well as external recognitions for having the fastest and most consistent network in Malaysia are testimonies of our persistent investment in network quality, modernisation, and digitalisation.

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**RM815 million**

Majority CAPEX in 2021 spent to enhance 4G network

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**8.9% growth**

in monthly average data consumption per user

**How was Digi's financial strength in meeting its financial obligation?**

In 2021, Digi realised an EBITDA margin of 47.5% and a PAT margin of 18.3%. Operational cash flow reached RM2,606 million with a margin of 41.1%. The financial gearing as expressed by net interest bearing debt divided by EBITDA was at 1.6x. As at the end of 2021, Digi had a net interest bearing debt of RM2,500 million and available undrawn debt facilities of RM4,925 million.

Our total asset in 2021 stood at RM7,840 million. We maintained a healthy return-on-total assets of 14.8%. Our strength in financial position enabled us to maintain the Sukuk rating of AAA/P1 with stable outlook by RAM Rating Service amidst these challenging times, supported by strong cash flow.

Thanks to our solid and consistent profitability, a strong balance sheet and low gearing, Digi benefits from a low cost of capital, high financial flexibility, the ability to sustain a generous dividend payout ratio to our shareholders, and ample flexibility to fund future investment and growth opportunities.

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Total asset in 2021**RM7,840 million**

## Chief Financial Officer's Statement



## What is the guidance for FY2022?



By strengthening our offerings in core and near-core connectivity solutions within Postpaid, Fibre, and Business segments, we aim to return to service revenue growth in 2022, and expect the decline of the Prepaid segment to abate further.

On the cost side, we will continue our efforts to modernise and digitalise customer touchpoints and operational processes. The focus on modernisation will also require continued investments to sustain network leadership and drive digital capabilities. We will therefore maintain 2022 CAPEX around FY2021 level, focusing on disciplined capital and resource allocation, and also deliver EBITDA at around FY2021 level alongside higher cost pressure.

We also aspire to further raise our responsible business standards including ESG, which we are already leading the industry, as recognised by external awards and benchmarks.

In summary, our 2022 guidance is as follows:

## 2022 Guidance

Service Revenue	Return to growth
EBITDA	Around FY2021 level: ~RM3,000 million
Capex-to-total revenue ratio	Around FY2021 level: 12% - 13%



## What can shareholders expect in FY2022?



Digi entered 2022 with confidence. The performance in core Postpaid, Fibre, and Business segments improved and the decline of the Prepaid subscriber base after the exit of the high-churn low-end of the migrant segment was substantially reduced. Assets are well invested, the capital structure is conservative with significant flexibility and the cost base and profitability remains among the best in the industry. Although competition in Malaysia is strong, we believe that Digi is well placed to maintain its steady financial performance and continue to offer attractive shareholder returns from a resilient business model, a prudent capital allocation methodology, and a careful financial management practice.