

# TELENOR ANALYST DAY

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Malaysia | 29 Nov 2016

# WELCOME to Digi



01:00 PM	Welcome Arrival of Guests	
01:15 PM	Intro & Performance Updates	Karl Erik
01:45 PM	Market and Business Updates	Loh
02:30 PM	Digi's Network Story	Kesavan
03:00 PM	Next-Gen Tech IT	Orsolya
03:30 PM	Strategy and Regulatory Development	Eugene
04:00 PM	Intro to Digi Concept Store	Cheng
05:00 PM	Market Visit	Kok Weng
06:30 PM	Check-in @ Hotel	
07:30 PM	Dinner	

# WHO WE ARE?

DIGI &  
MALAYSIA



LOVED BY  
CUSTOMERS



ENGAGING  
DIGITAL  
PRODUCTS



CUSTOMERS'  
FAVOURITE  
PARTNER IN  
DIGITAL LIFE



MOST  
EFFICIENT  
OPERATOR



WINNING  
TEAM

# DRIVING DIGITAL FORE IN MALAYSIA

with widest 4G+ network and synergies from Telenor's global presence

## Malaysia



**32m population market**

with strong demand for digital services

**~ 80%**

prepaid users

**95% 4G-LTE coverage**

in key market centres

**63.7%**

smartphone penetration

digi

One of Malaysia's leading mobile network provider

12.2 million subscribers and growing

Profitable operations with RM6.35 billion service revenue @ 43% EBITDA margin (2015)

Widest 4G+ network coverage  
(78% 4G LTE, 36% LTE-A)

Healthy shareholders return  
with a minimum of 80% dividend payout

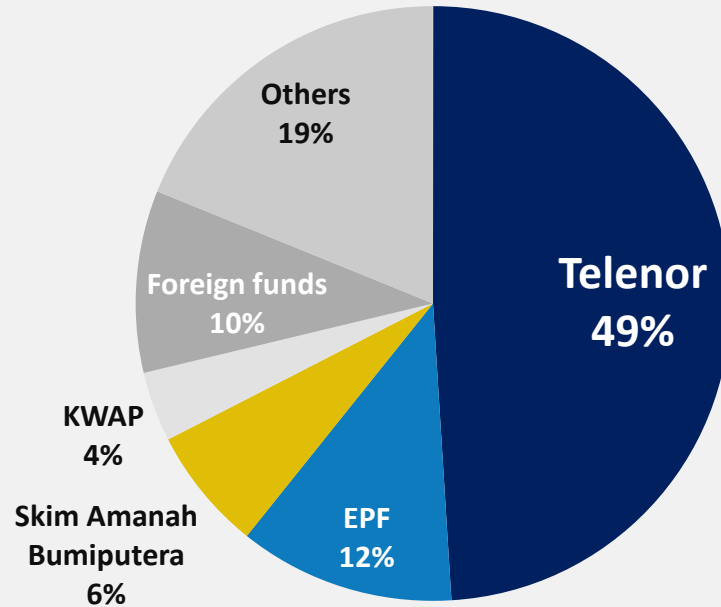


# STRONG AND DIVERSE SHAREHOLDERS MIX

with steady support from both local and foreign institutional funds

**# 11** most  
valuable stock on  
FBM KLCI

**Above 4%**  
dividend yield



Malaysia's largest pension funds and fund  
management company

**RM4.99**

Share price at 24 Nov  
2016

**RM39 billion**

Market Capitalisation

**7,775,000,000**

units of issued shares

# OUR STRATEGIC FOCUS

## for sustainable business opportunities

Aims to capitalise on new opportunities from integrated digital services and experiences as the industry transitions from traditional mobile voice and data

### 2016 -2020 CUSTOMERS FAVOURITE PARTNER IN DIGITAL LIFE



LOVED BY CUSTOMERS



ENGAGING DIGITAL PRODUCTS



MOST EFFICIENT OPERATOR



WINNING TEAM

*This new journey will require us  
to drive growth and digitise our core business,  
while acquiring and developing  
new capabilities*

70%



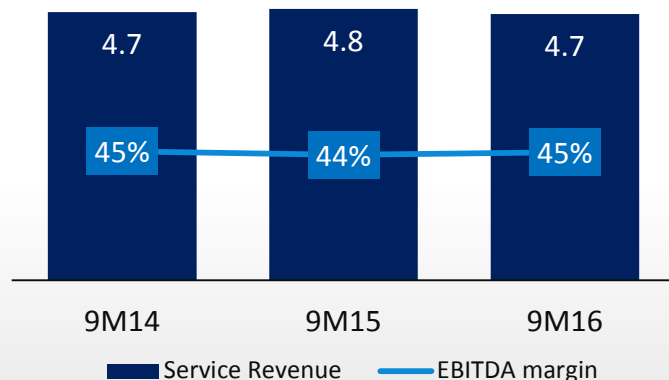
30%

# BUILDING OUR DIGITAL COMPETENCE

while fighting to win in the market every day

## Resilient 9M performance

RM billion



**#1** in terms of no. of subscribers

**#2** in terms of service revenue market share

**Fastest growing network** with leading 4G+ network

## SOLID POSTPAID REVENUE GROWTH

9.1% in 9M 2016

## RESILIENT SERVICE REVENUE

RM4.67 billion

## ROBUST EBITDA

RM2.21 billion @ 45% margin

## INTERNET SUBSCRIBERS

8.0 million or 65.0%

## HEALTHY SHAREHOLDERS RETURN

16.1 sen dividend per share  
equivalent to RM1,252 million or almost 100% payout

# AIM TO DELIVER RESILIENT 2016

## with robust operational deliverables



2016 financial guidance as follows:

	<b>2016 Guidance (revised)</b>	<b>YTD 3Q 2016</b>
Service revenue growth	Low single digit decline	-1.9%
EBITDA margin	Slightly below 45%	44.9%
Capex	Around 13% of service revenue	11.6%





**LOH KEH JIAT**  
**Chief Marketing Officer**

# **Market and Business Updates**

# ENABLING MOBILE SERVICES IN MALAYSIA

## for 31.7<sup>e</sup> million population



### Diverse Malaysian population

Malay & Bumiputera 68.6% | Chinese 23.4% | Indian 7.0% | Others 1.0%

### Sizeable migrant population

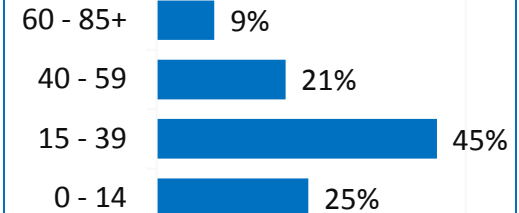


**Malaysian:**  
28.4m



**Non-Malaysian:**  
3.3m

### 70% below the age of 40



### Broadband Penetration

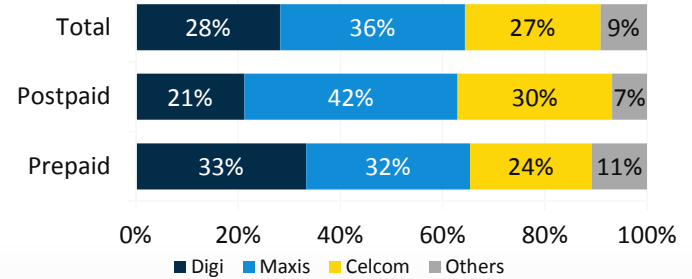
76.7 per 100 households  
(2.7m fixed BB vs 27.1m mobile BB)

# HIGHLY COMPETITIVE MARKET

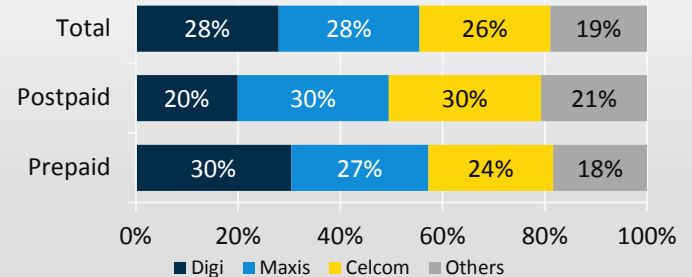
with 4 dominant mobile operators and 2 other mobile players



Service Revenue Market Share\*



Subscribers Market Share\*

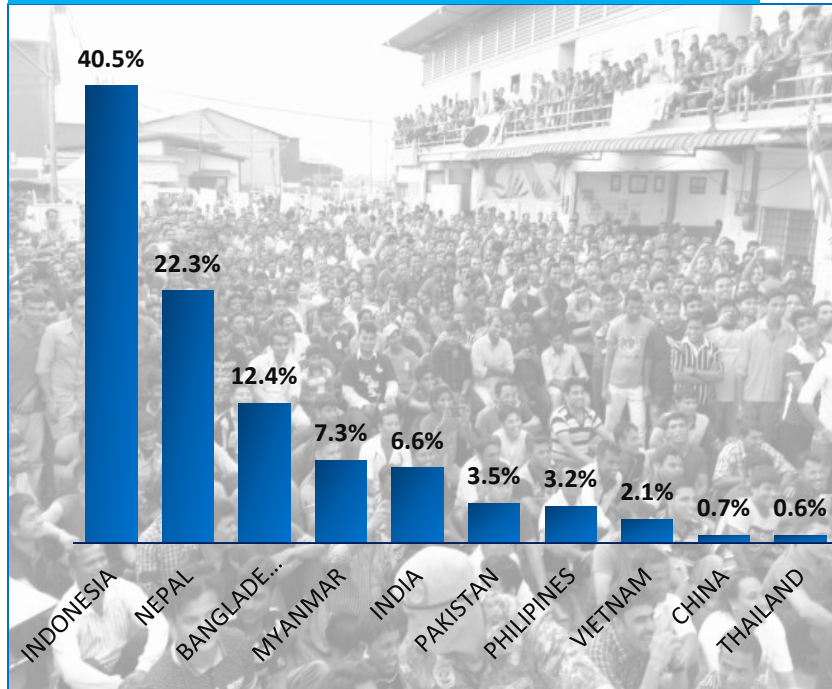


\* Based on published reports , estimates and forecasts

# TRADITIONAL PREPAID STRONGHOLD

anchored on sizeable migrant segment in Malaysia

1.9 million Registered Migrant Workers in Malaysia



Source: Statistic Report Sept 2016, Ministry of Manpower

34.8%  
MANUFACTURING

20.1%  
CONSTRUCTION

14.9%  
FARMING

13.4%  
SERVICE

9.4%  
AGRICULTURE

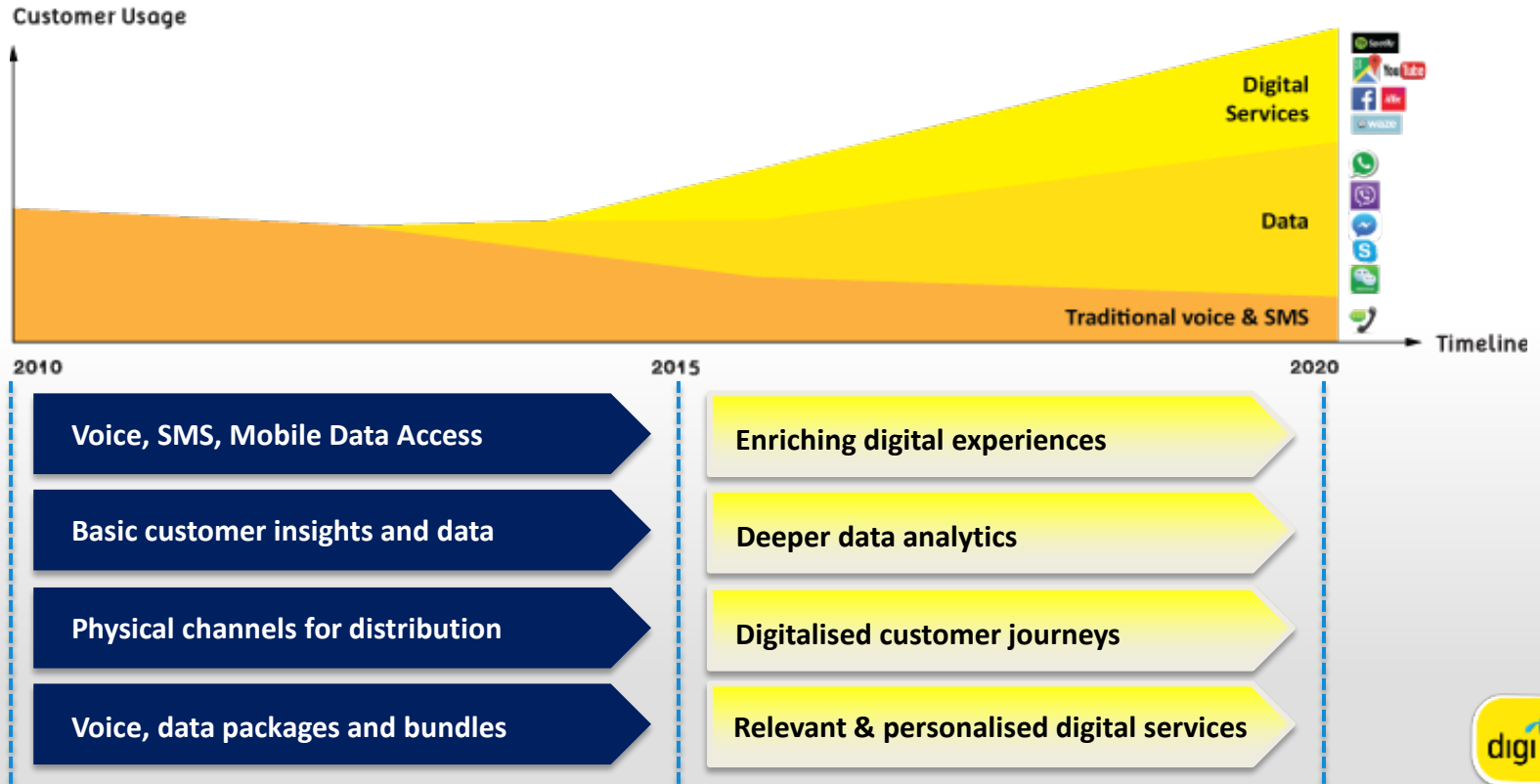
7.3%  
DOMESTIC HELPER

## Migrant profile

- Predominantly prepaid with relatively higher ARPU
- Frequent IDD calls
- Increasing smartphone and MI penetration (>50%)
- Growing VoIP penetration (>30%)
- **Popular streaming app:** Youtube, Bigo Live, Bing, Vimeo
- **Popular IM services and VoIP:** GoogleTalk, Whatsapp, Facebook messenger, Viber
- **Popular music app:** Smule, Spotify, Karoke Sing & Record

# RAPIDLY TRANSITIONING

## to capitalise on digital services opportunities





# REPOSITION FROM A TRADITIONAL PREPAID BRAND

to address all different segments in the market

## Being A Customer Champion



Introduce a digital journey that caters to customers' evolving needs

## Brand That Innovates



Commitment on innovative customer experience

## Strengthening The Core



Drive differentiation through strategic business themes, across network, product & services, channels

# THREE STRATEGIC PILLARS

that drives our core business focus

## Winning Core Business

- Strengthen postpaid subscriber base; consumer and business
- Grow Malaysian prepaid subscribers segment with solid data proposition
- Defend leadership position in prepaid migrant segment

## Digitizing the Core

- Develop digital customer engagement channels
  - MyDigi App >1 million MAU
  - Best-in-Class UI/UX
- Digitizing physical distribution channels
  - 60% of the dealers on mobile sales app and growing
  - 20 seconds prepaid registration and 3 minutes postpaid registration
- Advanced analytics data modeling and contextual marketing

## Adjacent Bets

- Build partnerships in key categories
- New revenue opportunities through Digi X

# POSTPAID VALUE PROPOSITION

with solid internet offerings and best value

## Internet At The Core

### EASY ENTRY

- Clear and simple entry level features for SIM only or device plans
- Clarity in campaigns
- Low in terms and conditions
- Encourage sharing and supplementary lines

### ENTERTAINMENT WEEKEND

- Entertainment focused usage for the weekend
- Worry free assurance on data usage
- Positive network experience on media rich (HD) usage

### ROAMING INCLUSIVE

- Internet habit to remain even when roaming
- Worry free roaming without the fear of bill shocks
- Integral component of postpaid product features

**Value Assured**

# PREPAID VALUE PROPOSITION

with strong focus on digital entertainment lifestyle

Value Prop

*Enjoy non-stop digital entertainment everyday*



RTB (1)

Free Video Streaming  
everyday

Free Internet  
everyday

Activate LiVE  
Get 8GB Youtube

Activate Best  
Get 200MB everyday

RTB (2)

Get FREE services/internet when you subscribe monthly internet/ service subscription or Reload

RTB (3)

Free Basic Internet for 'always on' experience



**KESAUAN**  
**Chief Network Officer**

**Tech Network**



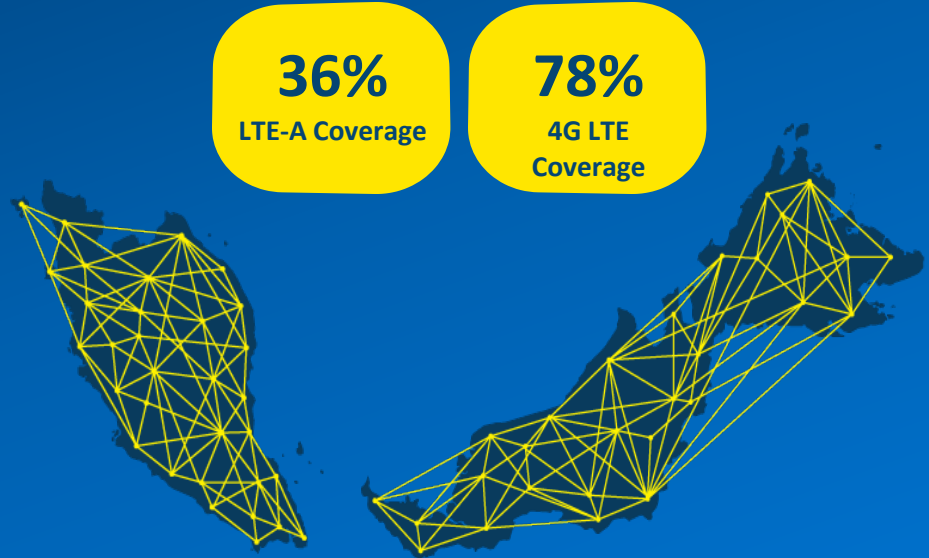
# SPRINTING AHEAD WITH 4G+

to support growing digital demand

## Digi 4G+ network

built for consistent

- streaming
- smooth gaming
- uninterrupted music
- unlimited apps
- e-commerce



Rapid network deployment to deliver the internet needs the way customer wanted

# STRONG 4G LTE LEADERSHIP POSITION

with solid commitment to deliver Best For Internet network



## Leadership in Technology

Coverage & Capacity

Experience

Intelligence & Virtualization

4G network coverage parity in Malaysia  
with superior quality

Accelerate site fiberisation  
with >10,000 KM of fiber network by 2018

Continuously refarm existing spectrum to deliver  
consistent internet speed on 4G+ network with  
Carrier Aggregation (CA)

Enabling fast services to market, proactive network  
troubleshooting and advance customer  
engagement

Continuously explore and pilot new technologies  
including IoT, 5G, etc

It is more than enabling connectivity, it is about becoming an indispensable part of our customers' lives, it is about creating wonderful experiences and moments with them every step of the way

# LEVERAGE ON COLLABORATION AND GLOBAL

to accelerate delivery of digital ambitions



Ecosystem  
Engagement

Partnership / Collaboration



Global Solutions and Scale

Solution / Scale

Site and fibre sharing

Joint innovation with vendor

Content Delivery Network (CDN)  
expansion to support OTT

Global capabilities and  
competencies

Efficient sourcing and leverage on  
synergies

# STRONG COMMITMENT

to deliver high-quality network to our customers

## Coverage

- Access to consistent high-speed internet in more areas
- Maximise potential from 900Mhz

## Density

- Enhance capacity & indoor coverage

## Technology

- Do more with the internet & enjoy next-gen digital services



**ORSOLYA**  
**Chief Information Officer**

**Tech IT**



# DRIVING IT READINESS TOWARDS DSP AMBITION

by transforming Core IT, Channels and Backend

Enhance Digital Customer Centricity Journey, Digital Services Ecosystem and Core IT



- Personalization
- Highly engaging
- Consistent experience
- Agility, Flexibility
- Big Data Analytics
- Lean IT, Reusability
- Global Platforms
- Innovation Labs

Speed to deploy services with best customer experience

# DEVELOPING SOLID FOUNDATION IN CORE IT

to support richer digital customer experience, analytics, IT enablers



## INVEST in Digital Customer Journeys & Open APIs

- **Customer Centric Journeys**, that are consistent across channels and fed with **deep customer insights**, generate trust, **elevating the brand to the “Preferred Digital Partner”**
- **Hugely scalable and responsive** Open APIs, **agile** extension to **enhance the customer experience**, enticing the customer to increase their usage of the service

## INVEST in Deep Analytical insight and big data

- **Huge data stores** are required, to handle network and internet data, to feed the deep analytical insights
- Effective **contextual marketing** requires a near real time performance allowing **monetization of customer insights and data**

## REDUCE SPEND in Core IT

- As data becomes the medium of choice, revenues generated by traditional telco systems diminish
- Hence investments in the core are minimized and only allowed if they are to reduce the cost of operating the core, or provide a critical feature required by analytics or the digital customer journeys

# ACCELERATE DSP TRANSFORMATION IN 2016

- laying the digital foundations and setting the pace as an industry leader

## Enhancing Digital Services Ecosystem and Customer Centricity

- **Analytics - Capture, Analyze, Act** based on **Customer Network Activities Data**
- **Contextual Marketing** for **personalization** and **monetization of customer insights and data**
- **Digitizing of customer and partner channels** with self-service **mobile applications, call center platform modernization, digital kiosk**
- Increased uptake of **Telenor Digital Services**
- **API gateway** – Open up our IT enablers for partners, developers to access and monetize

## Transformation and Strengthening of Core IT Services

- Maximize **cloud services** and **open source** software for new projects
- Expanding capacity through **virtualization**
- **Product Simplification** and retirement of legacy plans
- **Service Design**, plotting **digital customer journeys** in practice across customer facing IT
- Extend **Agile development** best practices and **In-House DevOps**

# SHAPING OUR NEXT PHASE OF IT TRANSFORMATION

in line with digital services trend

Trends in the digital arena	IT-enabled business transformation				
	<b>Heightened Consumer Expectations</b>				
	Business Savvy Tech Workforce		Demand for Agile IT		
	Accelerated Technology Disruption		Run IT like a business		
Strategy	Balanced technology and business skill sets		Open source, cloud services, Internet of Things	Analytics - Deep knowledge on customer experience and behavior	Agile and DevOps, Speed to Market
	Solid digital skillsets and competency		Highly Engaging Service Design	IT Standardization, Global platforms, multi-tenancy	Lean IT
	Innovation Labs		Standardize Open API gateway	Global IT Operations	Validate Investment Scale Fast, Fail Fast



# DRIVING DISRUPTIVE INNOVATION

with Global and Local Innovation Platforms – Ignite, Disrupt, Beta Labs



- All Telenor Business Units participate in one common event
- Held once a year
- 4 months program to develop minimum viable product (MVP)



## Disrupt@Digi



- All Digizens - Ideate, Validate, Pitch your idea
- Held twice a year
- 2 months dedicated time to develop minimum viable product (MVP)



## Beta Labs



- All Digizens – Validate your ideas
- Continuous Way of Work
- Validated beta test to be scaled up

Leveraging on global and local pool of employees to ideate, validate and build innovative digital services





**EUGENE**

**Chief Corporate Affairs Officer**

**Strategy and regulatory  
development**

# DIGI'S 5-YEAR STRATEGIC AMBITION

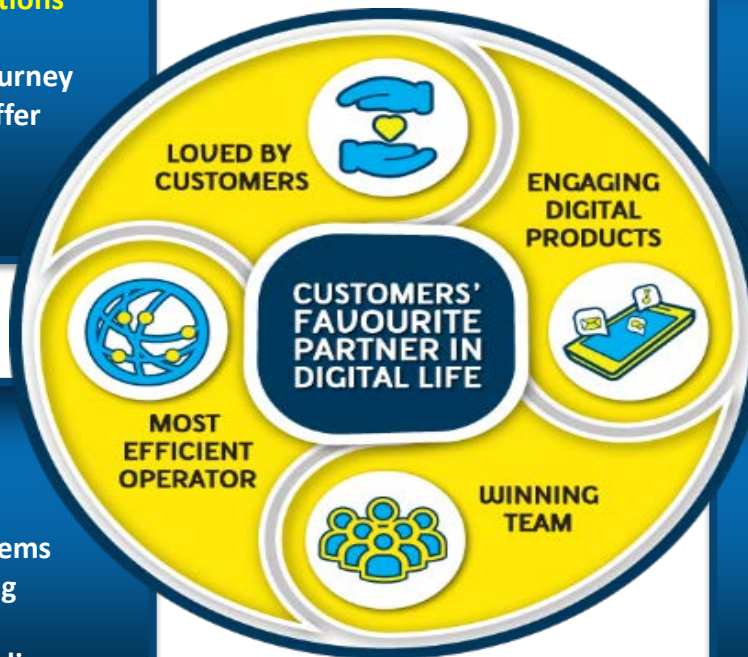
## to become a Digital Service Provider (DSP)

**Deliver high quality, user friendly and personalised customer propositions and experiences**

- Digital centric customer journey
- Contextual personalised offer
- *Best for Internet* network
- Customer relationship centered on Digital ID

**Drive profitable growth by optimising the way we work and ensuring future-proof operating models**

- Open network, IT ecosystems
- New network, IT operating models
- *Balanced* spectrum portfolio
- Cluster Way of Work (CWOW)



**Deliver integrated digital services and experiences through strong digital positions and ecosystems**

- Position in key product categories
- New digital verticals e.g FS
- Integrated experience across digital services portfolio

**Build future-ready talents and culture that inspires *Every Day Innovation***

- Employer brand equity
- Digital savvy talent
- Hassle-free workplace
- People, customer centric culture

# ANCHORING CORE FOCUS AND INITIATIVES

on four key priorities in 2017

**1** *Defend our core telco revenue streams by focusing on fixing key structural issues*

Prepaid

Consumer Postpaid

Enterprise Postpaid

**3** *Lead the ambition to become a DSP and **build** new digital revenue streams*

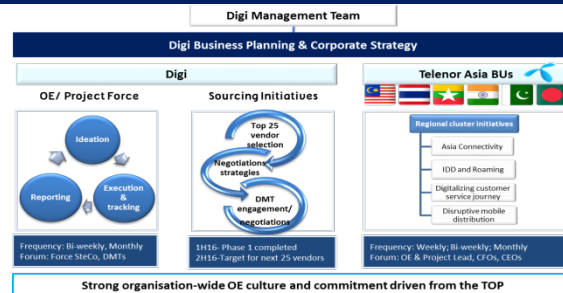


**2** *Drive the **digitization of our core** in line with our Digital Service Provider(DSP) ambition*

**B2C – Digitising End Customer Journey**

**B2B2C – Digitising while Expanding Channels**

**4** *Push to become the **most cost efficient** operator*



# DIGI-X TO SPUR INNOVATIONS

## that complement the core business



### DIGITAL BUSINESSES



- Creation of new **digital businesses** that are **independent** and/or **complements Digi's core** business

### DIGITAL PLATFORMS



- Build and monetise **Digital Platforms as a Service**
- Take **aggregator position** in IOT, DOB, and Voice & SMS

### DIGITAL INNOVATION



- Rapidly **prototype solutions** in selected categories in partnership with others to **create new businesses**

### PARTNERSHIPS & STARTUPS

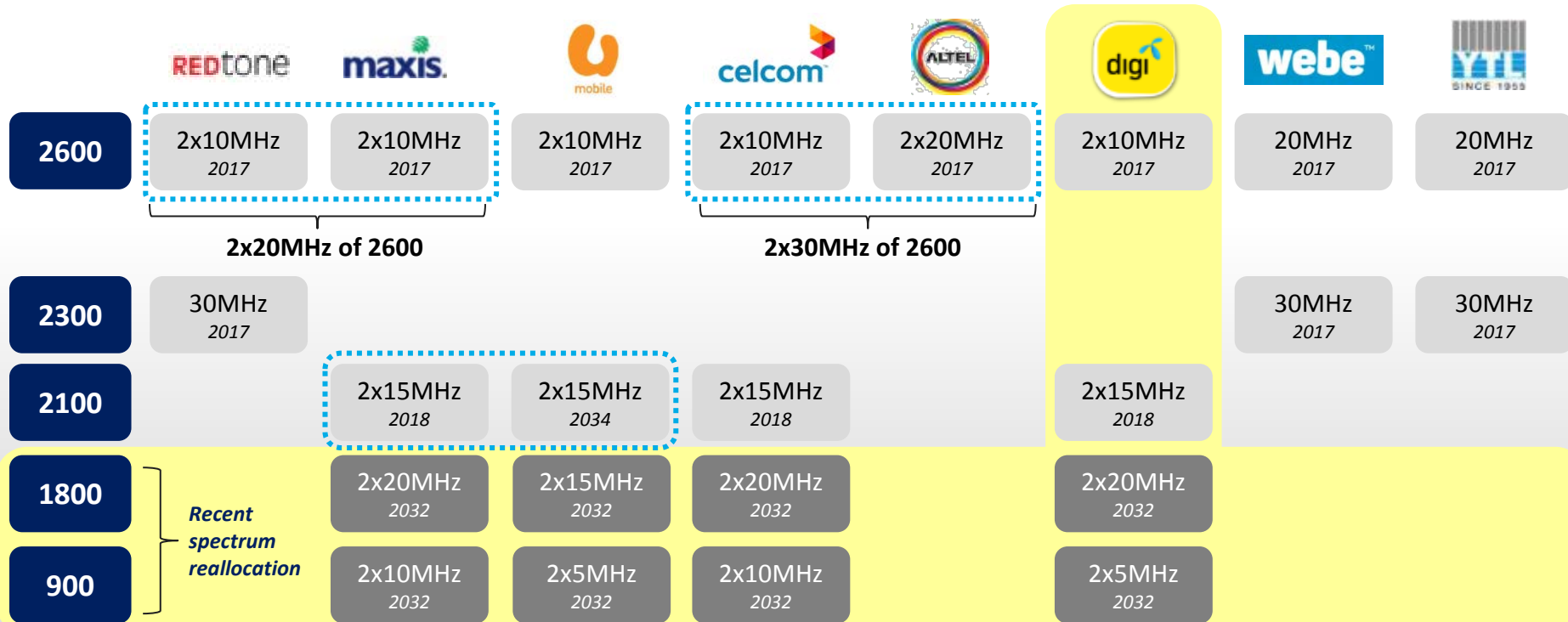


- Strengthen **partnerships** with **Internet content** and **services players**
- Take **strategic positions** in new businesses through **equity investments** or **grants**

# LEVERAGE ON STRONGER SPECTRUM PORTFOLIO

post 900MHz/1800MHz allocation among the major players

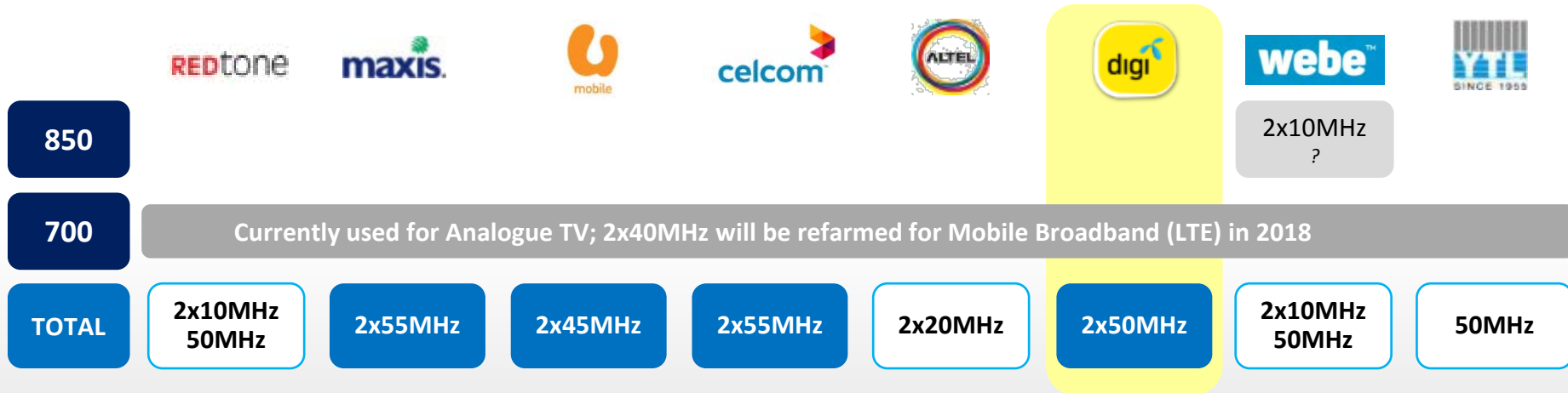
Malaysia's Spectrum Landscape: 8 Licensees with Spectrum Holdings



# LEVERAGE ON STRONGER SPECTRUM PORTFOLIO

post 900MHz/1800MHz allocation among the major players (cont'd)

## Malaysia's Spectrum Landscape: 8 Licensees with Spectrum Holdings



\* New spectrum allocation in February 2016 are technology neutral in line with international practice

# ALIGNMENT OF REGULATORY PRIORITIES

with business and customers needs

**Pragmatic regulator with  
common aspirations on  
digitalisation**

**Digital Nation Ambition**

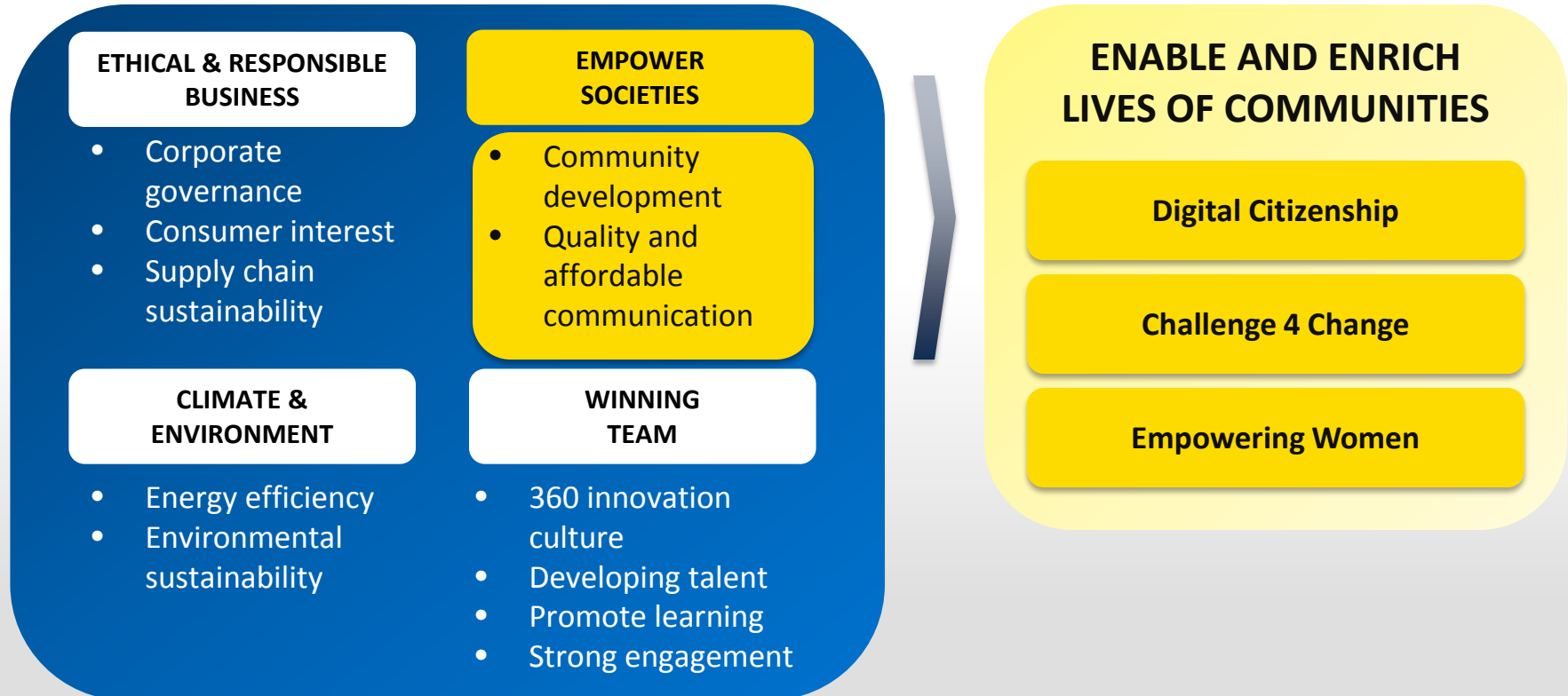
**Supportive Regulator**

**Conducive Framework**

- Conducive regulatory framework to foster close collaboration with industry players and to promote quality mobile services
- Passionate to drive higher internet adoption and usage with an ambition to reach 95% broadband penetration by 2020
- Increase USP clawback eligibility to 100% in the next 2 - 3 years to accelerate BB population coverage
- Advocate for digital infrastructure, contents and services development in Malaysia
- Relatively balanced allocation of 900Mhz and 1800Mhz spectrum among the major players on SA regime

# EMBRACING RESPONSIBLE BUSINESS PRACTICES

## and extending the benefits of mobile connectivity to all





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Music  
Freedom

**YOUR FAVOURITE  
DIGITAL PARTNER**

**HELPING YOU ROCK TO YOUR  
BEAT ANYWHERE YOU GO**



**THANK  
YOU!**

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