Chief Financial Officer's Statement

Inger Gløersen Folkeson
Chief Financial Officer

Maintaining solid financial momentum **driven by a resilient operating model**

We maneuvered through an unprecedented health crisis by focusing on driving commercial recovery as the Covid-19 pandemic challenged our growth and profitability opportunities. In order to protect shareholder value, key emphasis has been placed on cost optimisation and disciplined capital and resource allocation, underpinned by our strong Operational Efficiency mindset. As we recover, we will remain steadfast on demonstrating effective cost and liquidity management, maintaining industry-leading margins while continuing to invest in compelling customer experiences and future growth.

Q **The challenging backdrop and other Covid-19 related pressures had adversely impacted companies' operating results. How did you manage this?**

A Overall, FY2020 results manifested our disciplined execution on securing growth opportunities, driving digital modernisation efforts, and across-the-board operational resilience during the year. However, our total revenue softened by 2.3% to RM6,152.7 million attributed to sustained pressure on consumer and business spend, while total subscriber base lowered by 7.4% to 10.4 million, as we focus on quality acquisitions. This was mitigated by opex reduction of 1.4% led by disciplined cost containment measures. Our immediate priorities to quickly respond to the changes impacting our business in ensuring financial resilience were:

Building sustainable revenue mix

- Grew **active Malaysian base by 5.9%** to cushion impacts from border closures via **affordable and flexible bundles**
- Increased the **availability and appeal of our digital products and services to yield 9.9% growth** in internet and digital revenues
- Accelerated digital adoption for SMEs and large enterprises to escalate our B2B subscriber and **revenue growth by 5.5% and 4.0%**, respectively

Driving optimal cost and capex controls

- **Optimised advertising and promotion spend** on lower on-ground activities
- Intensified **credit management** and **collection process** to deliver low provision of doubtful debts ratio of 3.2%, well below industry level
- Disciplined capex prioritisation to **conserve cash** by prioritising **modernisation initiatives**

Robust working capital management

- Managed an **efficient supply chain management resulted in timely deliveries** in equipment and supply
- Maintained **sufficient stock holdings** through effective stock and distribution management
- Re-negotiated **key supply contracts** and **repayments**

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Q Your balance sheet and capital allocation must have faced a lot of pressures. What were the immediate focus areas in maintaining the balance sheet?

A We continue to closely monitor and review our balance sheet and capital requirement periodically to ensure our balance sheet is optimised. Our credit profile remains intact and resilient throughout the challenging time to fund business requirements including our infrastructure and spectrum investments, as evidenced by the reaffirmation of our sukuk rating on the RM5 billion Sukuk Programmes of AAA/Stable/P1 by RAM Rating Services in December 2020.

Together with our Profit After Tax of RM1,221.0 million, we were able to close FY2020 with a sustainable return on equity ratio and return on total assets of 201.5% and 14.9%, respectively despite the overall subdued backdrop.

To ensure we maintain solid headroom on the balance sheet and manage our gearing and capital allocation prudently, our immediate focus areas were:

- **Effective risk management for trade receivables**
- **Protect flexibility for easy access of competitive rates**
- **Execute interest rate swap exercises to hedge against interest rate risk**
- **Competitive funding facilities at all times to support growth and short-term disruption, if any**
- **Clear capital allocation process that promotes long-term growth**

Q Digi has set out ambitious strategic roadmap and targets for the next three years as outlined in 'Our Strategy'. How can investors evaluate and measure your performance?

A To achieve our targets which are aligned with our long-term strategic ambitions, we use financial and non-financial indicators to measure the achievements as highlighted below:

GROWTH

- Positive service revenue growth
- Positive subscriber growth for B2B and Fibre-to-the-home (FTTH)
- Improve 4G capacity

MODERNISATION

- Increase digital sales
- Increase active MyDigi users
- Improve network net promoter score
- Reduce total costs on digitalisation, productivity, and other efficiencies
- 40 hours of online learning per employee

RESPONSIBLE BUSINESS

- More efficient governance structures aimed at faster decision-making
- Increase in Health, Safety and Environment (HSE) adoption in supply chain
- Reduce CO_2 emissions versus baseline
- New Environmental, Social and Governance (ESG) brand preference score
- Users engaged via Yellow Heart programmes

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Q Investors are increasingly measuring a company's performances against ESG criteria and values. What are Digi's efforts to improve ESG disclosure and reporting?

A Our commitment in delivering the highest standards of transparency and disclosure has always prepared us for increased scrutiny on ESG performance from regulators, investors, and the public. We have set science-based targets to minimise our environmental impact and aligned our reporting towards globally recognised reporting frameworks. In addition, we participate in annual ESG rating assessments by various rating houses such as Sustainalytics, FTSE4Good and S&P RobecoSAM, which reflects our dedication in achieving our target to become the number one telco ESG performance in Malaysia by 2023.

Our approach to provide a meaningful ESG disclosure is through continuous improvement, which is aligned to our reporting guidelines for our stakeholders. The immediate focus areas are as follows:

Focus Areas	Progress	Completion Target
Conduct company-wide data integrity exercise to build a robust ESG reporting framework	Ongoing	End 2021
Ensure a comprehensive alignment of ESG material issues and enterprise risks	Ongoing	End 2021
Drive resource prioritisation and process improvement to manage ESG inquiries	Ongoing	End 2021
Increase sustainability investments particularly in energy-efficient or climate-friendly technologies and solutions	Embarking	By 2023
Enhance our climate change risk monitoring, management and governance	Embarking	By 2023

Lastly, we truly believe that upholding high standards of corporate responsibility is key to long-term value creation and contributes directly to improved business performance and brand integrity.

Q What do the new ambitions and targets mean to dividend payments going forward?

A We remain strongly committed to equip ourselves with the ability to pay steady dividends over time above our minimum payout ratio of 80%. Our track record in maintaining high dividend payout ratio of above 95% demonstrates Digi's financial strength as a compelling stock.

In essence, I have confidence in our resilient business model to ensure our dividend distribution is in line with our strategy to enhance free cash flow, improve the sustainability of our operations, thus delivering attractive returns to our shareholders.