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INVESTOR UPDATE

APRIL, 2019

DIGICEL GROUP LIMITED

PLEASE SEE IMPORTANT DISCLOSURES & COPYRIGHT INFRINGEMENT IN THE APPENDIX

COMPANY OVERVIEW

Digicel is a leading provider of communication services in the Caribbean and South Pacific regions. The Company offers a range of mobile communications, Business Solutions, Cable TV & Broadband and other related products and services to retail, corporate and government customers. Digicel offers HSPA+ or LTE technology in 31 markets and holds the number one mobile market position in 25 of its markets, with a mobile subscriber market share of more than 50% in 22 markets. Mobile services were launched in Jamaica, the Company's first market, in 2001 and as of December 31, 2018, Digicel had 13.9 million mobile subscribers across its markets.

FINANCIAL PERFORMANCE – THREE MONTHS ENDED DECEMBER 31, 2018 (USD)

PROFITABILITY

Digicel Group Limited reported revenues of $577.97M for the three months ended Dec. 31, 2018, a 3.5%, or $20.99M, decline year-over-year. The decline in revenue was mainly driven by declines in mobile revenues ($36M), the impact of adverse foreign exchange movements ($18M) and low margin wholesale revenue ($8M), which were partially offset by increases in Business and Cable TV, Broadband & Fixed revenue. Service revenues amounted to $554M, a 4% decline while handset/equipment sales closed the quarter at $24M, a 22% increase. On a constant currency basis total revenues and service revenues were both down 1%, respectively.

Voice revenues amounted to $214M in constant currency terms, and represented a decline of 11% due to continued voice to data substitution across Digicel's markets. Reported voice revenues fell 14% to $207M. Data revenue rose 3% to $218M on a constant currency basis but reported revenues were down 1% to $210M.

Mobile revenues were impacted by tariff rebalancing actions in the second half of the previous financial year which resulted in combined data and voice revenues falling 5% in constant currency terms to $432M. Reported mobile revenues were down 8% year-over-year to $417M. Business solutions revenues for the quarter increased by 25% to $65M in constant currency terms and now represent 12% of service revenues compared to 9% in the same period of the previous year. Reported business solutions revenues amounted to $64M, 23% higher than the prior year period. Cable TV, Broadband & Fixed revenues of $48M were up

11% on a constant currency basis and 10% on a reported basis.

Other revenues amounted to $26M and were down 16% in constancy currency terms year-over-year. This decline was driven by lower wholesale revenue. Handset/Equipment revenues, which include Business Solutions equipment sales and handset sales rose $5M to $24M in reported and constant currency terms. This increase was explained by the introduction of IFRS15 in 1Q19, which resulted in an allocation of $6M from service revenue to handset and equipment revenue in 3Q19.

Total subscribers as at Dec. 31, 2018 fell by 192,000 year-over-year to 13.9 million. During the quarter, 240,000 subscribers were disconnected in Papua New Guinea (PNG) due to mandatory SIM registration implemented by the regulator. Digicel noted that these subscribers were very low average revenue per user (ARPU) subscribers.

Mobile subscribers came in at 13.5 million. This represented a decline of 217,000 over the year ended Dec. 31, 2018 and a decline of 191,000 over the preceding quarter, driven by the PNG disconnections. Cable TV, Broadband & Fixed subscribers rose by 28,000 over the same period. ARPU for the quarter was $10.2, 8% below the prior year quarter and 4% behind in constant currency terms. ARPU was, however, up 3% in constant currency terms over the previous quarter ended Sept. 30, 2018.

Cost of sales fell 9% to $141.88M which resulted in gross profits of $436.09M, a 1.5% decline year-over-year. Direct costs fell 11% to $105M due to the reduction revenues over the period and lower costs associated with wholesale revenue. Subscriber Acquisition Costs (SAC) amounted to $28M for the quarter, down from $32M in the comparable period of the prior year. SAC as a percentage of revenues was 4.9%, an improvement on 5.3% in the prior year period. The gross profit margin improved from 73.9% in 3Q18 to 75.5% in 3Q19.

Despite a 12.5% decline in cost of sales, the fall in revenues resulted in a 3.1% decline in gross profits to $440.9M. Digicel noted that direct costs of $113M fell by 9% due to the reduction in revenues and lower costs associated with wholesale revenue. Digicel's average monthly churn/upgrade was 4.8% for the quarter ended Dec. 31, 2018 up from 3.9% from the prior year quarter, due mainly to higher churn/upgrade in PNG due to the reduction in subscribers associated with SIM requirements.

Operating expenses amounted to $287.25M, up 7.3% year-over-year. Driving this increase was the $30M decrease in profit on disposal/insurance proceeds and higher depreciation costs. This increase was partly offset by the recording of a foreign exchange gain of $11M, which compares to a loss of $7m in the prior year period. As a result, operating profit declined by 14.9% to $148.84M and the operating profit margin fell to 25.8% from 29.2% from the prior year period.

Finance costs of $115.83M was reported for the quarter, up 2.6% year-over-year. Interest coverage as measured by operating profit to interest expense fell to 1.29x, relative to 1.55x in the prior year quarter. EBITDA declined 6.8% or $18.8M to $256.72M and the EBITDA to interest expense ratio moved from 2.44x in the prior year quarter to 2.22x.

Following the recognition of $13.5M in impairment on investments for the period, Digicel booked a pre-tax profit of $16.18M, a significant decline of 72% on the pre-tax profits reported in the prior year quarter. Taxes of $22.78M led to a net loss of $6.6M, versus a net profit of $7.19M a year prior.

OUTLOOK & RECOMMENDATION

In January 2019, Digicel completed three debt exchange offers in which $2.92B of DGL Notes due 2020 and 2022 were exchanged for DGL2 and DGL1 notes due 2022 and 2024. The offers also saw Digicel soliciting consent from holders of the old notes to eliminate substantially all of the restrictive covenants and events of default contained in their debentures. Digicel aimed to extend the maturity dates of these near-term maturities with these offers, allowing it more time to "right the ship".

These notes are trading well below par, indicating that investors are not completely sold on Digicel's future, even after a successful debt exchange which bought the Company an extra two years on almost $3B in debt.

In a January 15, 2019 release, Digicel appended its "Limited Default" LD designation to the probability of default rating (PDR) of Digicel Group Limited. Moody's upgraded Digicel's PDR to Caa1-PD/LD from Caa3-PD, and at the same time, upgraded the rating of the new DGL1 2022 notes to Caa1 from Caa2, assigned a Caa3 rating to the new DGL2 2022 notes and downgraded the rating of the new 2024 notes at DGL2 to Caa3 from Caa2. Digicel Group Limited's Corporate Family Rating (CPR) was affirmed at Caa1. The outlook on all ratings remained stable. Moody's noted that despite the benefits derived from the debt extension, they view the transaction as a distressed exchange due to the Company's untenable capital structure, "with high leverage and high refinancing risk." The Caa1 CPR also reflects the fact that the Company is still facing large debt maturities in the coming years with a weakening liquidity profile. Moody's noted that while Digicel benefits from product and geographic diversification, leading market positions and high operating margins, it is present in emerging markets with a history of instability and exposure to adverse weather events and currency depreciation.

Moody's believes that the extension of the debt maturity profile provides Digicel with additional time to address its operating issues and highly-leveraged capital structure. The stable outlook reflects Moody's belief that Digicel will gradually return to positive free cash flow, resulting in some improvement to its financial and liquidity profile.

For the nine months ended Dec. 31, 2018, Digicel reported a 5% decline in revenues. However, an 8% decline in operating expenses led to a 65% decline in the net loss to $41.38M. Whilst the decline in the net loss over the period is commendable, this was achieved due to cost savings. The Company has been on a drive to cut costs for the past few years, going as far as to employ a voluntary separation programme. Cutting costs may have a noticeable impact in the short-term but over the long term, a company must continue to grow its revenues and be net cash positive to continue as a going concern. Over the past five years, Digicel's revenues have contracted at an average rate of 3% per year while reporting a net loss in all but one year over the same period. The Company is able to service its interest expense but is not generating enough cash to pay off debts from internally-generated funds. Cash and cash equivalents were halved year-over-year in the latest quarter while debt and the accumulated deficit have worsened.

Digicel's results have not improved in line with expectations and we believe that the Company will be hard-pressed to meet its obligations as current yields make refinancing an unattractive option for the Company. The sharp fall in cash and limited access to capital markets will restrain the Company's capital expenditures which is by nature very high for the telecommunications industry.

As such, we have updated our recommendation to SELL and advise clients to exit their holdings in Digicel as we believe the bonds will continue to trade well below par in the medium term with significant risk of further price depreciation.

Source: JMMB Investment & Research, Various Company Financial Statements, Bloomberg; Exchange Memorandum; Moody's Investor Service

APPENDIX

IMPORTANT DISCLOSURES

ABSTRACT— As a part of our new Portfolio Strategy we are recommending strict adherence to the following Portfolio Allocation DEFINITIONS/ RECOMMENDATIONS.

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REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 5% FOR THIS PARTICULAR ASSET

SELL -
REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO.

HOLD/MARKET WEIGHT -
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