

Company: Grameenphone Ltd.
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Naureen Quayum: Good morning, everyone and welcome to Grameenphone's earnings disclosure for the 2nd Quarter of 2020. My name is Naureen, I am the Head of Investor Relations for Grameenphone. Our presentation today will be in two parts. There will be a business and situation update from our CEO, Mr. Yasir Azman, followed by an overview of our financial performance by our CFO, Mr. Jens Becker. The presentation that we are using today along with additional documents has been uploaded to our Investor Relations website. The Question and Answer link is now live, you can start posting your questions. We will be addressing your questions at the end of the presentation. In case, we are unable to answer your question today, please send me an email. I would now like to request our CEO, Mr. Yasir Azman, to start our presentation.

Yasir Azman: Thank you, Naureen, and a very good morning to everyone. Thank you all today for joining us in this session. This is Yasir Azman, Chief Executive Officer of Grameenphone. I will start with a very quick overview of the highlights of this quarter. Quarter-2 was one of the toughest quarters we have ever faced for the industry as a whole. I think that I should not stretch again and again about this global pandemic. Since the end of March till May, according to our regulator, the telecommunications industry has lost 3.8 million subscribers, ending with 161.5 million total subscribers. Mobile internet subscribers have also declined by 1.14 million over the past two months. Grameenphone reported a quarterly year-over-year revenue de-growth for the first time in at least six years owing to the impact from Covid-19. We started to report Covid cases in Bangladesh in March, following the declaration of general holidays at the end of March and we witnessed most of the negative impact in April. And from what we have seen, we gradually started to recover from May, which has continued throughout the quarter. The holidays were declared by the government as a measure to prevent the spread of Coronavirus and this caused an overall slowdown of our economy. It also negatively impacted our performance. As I mentioned that we started recovering from May onwards, Grameenphone reports together a very strong business continuity plan, which includes daily interactions between management, function leaders and health safety experts of our organization. Our business continuity plan has successfully enabled us to identify, quantify and mitigate possible risk related to Covid, which extensively covers health and safety of our employees, our customers, partners and value chain as well as taking counter measures to impact on our business, implementing some of the best practices in our organization has helped us navigate this tough quarter

during this global pandemic. During this quarter, our regulator has issued SMP related directives on us, which came into effect in July. We shall discuss these in details shortly. If we go by the revenue de-growth due to the Covid-19, you can see that our government declared general holidays from 26th March till 30th May as a precaution to the spread of Covid in our communities. Due to these holidays, many city dwellers moved back to their rural homes while educational institutions and non-essential business remained closed, ultimately resulting in a slowdown of economic activities. Telecommunication services were declared essential, therefore, we kept operating and serving our customers throughout the holiday period. With the announcement of the finance budget in June, industry got a revision on supplementary duty on telecom services, increasing the supplementary duty further from 10% to 15%. These changes were implemented immediately from 11th of June. Driven by this pandemic, we witnessed significant adaptation of digital reload options by our customers. That was encouraging to see that customers have transferred from physical world to digital world to a great extent. And this resulted in a 10-percentage point jump from pre-Covid times in February 2020 to end of second quarter. Now, a bit of update on the network rollout: from Quarter-1, our regulator started approving No Objection Certificates, which enabled us to carry out our operational activities. As a result, we were able to resume our network rollout and expansion. In Quarter-2, we added 132 sites to our 4G network. This time of the year is usually challenging for us on the weather front. And this year was no different actually. Cyclone Amphan was the largest recorded storm over the Bay of Bengal and made landfall in Bangladesh towards the end of May. The destruction left by this cyclone was massive, resulting in prolonged floods, power and network outage and extensive damage on our infrastructure. Over the past few years, we have invested in building a sustainable network and along with the continued effort from our teams, field force and with the help of local communities, stakeholders and law enforcement, we were able to rapidly recover our outages caused as a result of the cyclone. I would say that it was an encouraging fastest move to recover from the situation with combined effort from all the corners of the country with the regulator, stakeholders and the company field force. Grameenphone also launched VoLTE or the Voice Over LTE in June, which will provide our customers with high definition quality voice call, as well as faster call set up time over the 4G network. This is significantly improving our customer experience. We have a challenging regulatory environment. Grameenphone paid the second adjustable deposit of BDT 10 billion on 19th May. All in the order of the Honorable Appellate Division relating to the injunction and we continue to dispute the validity of this audit. Grameenphone has also been issued SMP directives by BTRC which have been implemented under protest. I will discuss both these topics in more details shortly. We believe in empowering societies. We have taken a few initiatives in the past few months to support our communities to best of our abilities. In partnership with BRAC, we launched 'Dakche Amar Desh' initiative, which

enabled us to provide emergency food assistance to 100,000 families in dire need. This initiative has generated the attention of many other compassionate members of our society, who have also come forward to join this cause. At the same time, we handed over 50,000 medical-grade Personal Protective Equipment to the doctors working in hospitals designated to treat Covid patients. Grameenphone launched 'Bangladesh Challenge' in collaboration with the ICT Division, A2i, Google, which have come together to pinpoint important locations such as hospitals, community markets in their respective locality so that these locations are easily accessible to the public. This has generated engagement among the youth all over the country to identify those important locations and eventually these will be used to serve the residents of the localities. We have seen the selfless act of many frontline doctors who are staying away from their families for extended periods to treat Covid patients. To help them keep in touch with their families, Grameenphone offered 30 GB data package for a validity of six months at the cost of 1 Taka only. We made this offer available to the 25,000 registered doctors of which 19,000 have already opted in. Many Grameenphone customers were also unable to recharge their balance while the lockdown was there in April due to various restrictions that were imposed to prevent the spread of Coronavirus. We offered 10 minutes free to such 1 Crore existing prepaid customers so that they could continue staying in touch with their loved ones and we also extended expirations of these connections till 31st of May when the lockdown actually have been withdrawn by the government's side. We introduced reduced call rate of 48 paisa per minute from 8.00 AM to 12.00 PM for a recharge of BDT 48, which can be availed by our entire sub-base. Ensuring health and safety for our employees is one of our top priorities in this situation and that is why we have been working from home since middle of March. Over the past few years, we have invested in upskilling our workforce, transforming our organization and introduced modernization initiatives, which has created digital enablement of our employees. As a result, our workforce was rapidly able to adapt to work from home with digital empowerment. And we are still continuing to work from home with that enablement and engagement for our employees. For the selected few of our workforce, who still have interface with the external world, we have ensured their safety by taking the recommended measures as well as providing Personal Protective Equipment for the employees. Covid-19 situation and impact: if you would like to see in our society and in our market operations especially, as mentioned earlier, the government declared general holidays from 26th March extending every few weeks till finally lifting the holidays on 30th May. During the initial few weeks, we faced some challenges despite telecom being declared as essential service. Our value chain did not receive the same recognition, especially when we talk about small retailers. A large share of our retailers and point of sales were closed during the initial few days of the holidays. The few areas in the few localities were also completely locked down. We have also experienced the community lockdown with increased number of Covid cases.

With strict law enforcement measures and the help of stakeholders, local communities and law enforcement authorities, we were able to get our value chain recognized as essential to telecom services. Gradually more and more retailers and point of sales were made available over the holiday period. However, during the entire holiday period, most businesses, educational establishments and other public places were closed causing a sudden and dramatic decrease in economic activity. Since the holidays have been lifted in May, till now we have witnessed gradual recovery of our economic activity even though the measures by the government are still in place selectively. As far as our workforce is concerned, an essential part of our operations includes the maintenance of our network and sites. We have many field force employees who were out in the market ensuring connectivity to our customers. We also have sales executives who constantly liaison with our retailers to encourage recharge and stock availability. The priority for us is to ensure that our own employees and those of our partners and vendors are following the proper health and safety measures. All our field forces have been equipped with PPEs and with proper training on social distancing. We also have several health safety measures in place following the WHO recommended protocol. We have been very successful running our distribution and network operation during this period of lockdown. As far as point of sales are concerned, to meet the needs of our customers, we have customers walk-in centers operational even though we encourage availing solutions through digital means. At these physical centers, we ensure hygiene and cleanliness of the premises in frequent intervals. Our staff and visiting customers practice individual safety with the use of PPEs following all recommended social distancing protocol. Now, I would like to briefly discuss our regulatory landscape. As I mentioned previously regarding the highlight SMP regulation, BTRC issued SMP directives for the third time on 21st June imposing asymmetric MNP lock-in period and asymmetric approval process for all campaigns, packages and services effective from 1st of July. Again, on 20th June, BTRC has also issued a fourth SMP directive imposing asymmetric interconnection charge of BDT 0.07 per minute versus BDT 0.10 per minute effective from 16th July. On 14th June, GP wrote to BTRC requesting to review its latest directives and filed a writ petition on 28th June getting no response from BTRC's side since then. However, on 30th June BTRC responded to GP's letter. On 1st July, GP sent a letter to BTRC informing that GP disagrees with BTRC's rationale. However, that GP would comply with BTRC's directives under protest and without prejudice to its rights under law. GP intends to work with BTRC so that the emergent SMP regime is anchored in the principles of the market based competition and global best practices. On 2nd July, GP apprised BTRC of the execution status of MNP lock-in period directives and on 6th July, GP submitted for non-prosecution of writ petition in the virtual branch of the High Court Division. The virtual court ordered the writ petition to be out of the hearing list. Moving on to the BTRC audit update, GP has been pursuing to resolve audit dispute with BTRC in two tracks: either through legal proceedings

or finding an amicable resolution through a transparent process. The original title suit is now pending at the district court and the next hearing date is fixed on 21st July for reply of BTRC and auditor. Due to limited operation of the courts for Covid-19 situation, no hearing took place either in the Appeal at High Court Division, or in the Review Petition on the Appellate Division on 31st May, which was due after GP had deposited the remainder BDT 10 billion as per court's direction. BTRC has continued to broadly comply with the order by gradually withdrawing operational restrictions. Let me touch upon the Tower Co. license. The Tower Co. regime is actually still not functional. However, we are in a continuous dialogue with Tower Cos and the BTRC to see an outcome of these dialogues preferably for the industry. Now I would like to invite our CFO, Jens Becker to take us through our financial performance in details. Jens.

Jens Becker: Thank you, Azman. And good morning everyone and thank you for joining us today. I will proceed with our presentation, starting with an overview of our financial performance. In the second quarter, our growth in the revenue and profitability was negatively impacted by the Covid-19 situation. This was the result of the country-wide general holidays and the Covid-19 related restrictions and counter measures leading to an economic downturn as described by Azman before. After the sharp revenue decline in April, however, recovery started from May, which was further impacted by the imposition of increased supplementary duty, which increased from 10% to 15% starting from 11th June. In summary, Grameenphone had 8.1% year-on-year de-growth in subs and traffic revenue leading to 10% decrease in EBITDA. With the gradual NOC approval from BTRC, Capex /Sales ratio for the quarter improved at 7.5% on a stand-alone basis, which was only 1.1% in the previous quarter. EPS for the quarter stood at BDT 5.38. We turn to the next slide on the subscribers. The subscriber acquisition in the second quarter was negatively impacted due to general holidays resulting into 0.8 million negative net adds during Q-2 and 2.1 million lower net adds compared to last year, where we had 1.3 million net adds positively last year's quarter. Our sub-base for the quarter stood at 74.5 million reflecting a 1.1 de-growth from previous quarter. As of May 2020, the mobile industry lost 3.8 million subscribers compared to previous quarter with a 2.3% de-growth. As a result, GP subscription market share has improved to 46% with a 0.4% improvement from previous quarter, which has been 45.6% in Q-1. The 4G population coverage reached 77.1% with a 1.8% increase from last quarter on this. So, let's turn to the next slide please. The subscription and traffic revenue had a sharp decline in terms of year-on-year growth after the declaration of general holidays from 26th of March. After this sharp decline in April, regular recovery started from May, which was further impacted by the imposition of the increased supplementary duty. At the end of the second quarter, GP is yet to reach the positive year-

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on-year growth, which is also subject to the overall economic recovery of the country in the coming days. Next page: the 8.2% year-on-year total revenue de-growth in Q-2 is mainly driven by the 8.1% fall in subscription and traffic revenues and the lower other revenues from interconnection and devices. The 2.7 billion decrease in subscription and traffic revenue is mainly driven by a fall in voice revenues, roughly -3.9 billion, which is partly offset by higher data revenue plus 1.2 billion. The voice revenue decreased by 15.6% in a combination of 10.9% fall in outgoing minutes and 5.3% dilution in voice APPM. Data revenue continued to grow with a rate of 16.7%. Next page: the 16.7% growth they see in the data revenue was mainly driven by 11.7% increase in the data ARPU. The contribution from data revenue continued to increase in the second quarter. So, as of Q-2, data revenue contributed to 25.7% of service revenue which was at 24% than the previous quarter. The data user acquisition in the second quarter was positively impacted by the number series availability along with the expansion of network capacity with the gradual NOC approvals that we got. The number of data users for the quarter stood at 40.9 million with 1.2% increase from last quarter. With our continued focus on the 4G conversion, the 4G data users increased by 0.9 million while total data users increased by 0.5 million from previous quarter. Next slide: on the service ARPU, lower service ARPU is mainly impacted by the lower contribution from voice and interconnection which is partly offset by the higher contribution from data. The lower contribution from voice is mainly attributed to lower usage during general holidays where the outgoing average minutes per user decreased by 10.7%. So, 148 was at 166 where voice Average Price Per User decreased by 5.3%. The growth in data ARPU came from continued growth in the data usage. GP's Average Megabyte Per User grew by 65.1% despite the two months of the general holidays. We have launched several dedicated offers to the market to provide subscribers with a better value under this pandemic Covid-19 situation. On the Opex side, we see our efficient Opex management at year-on-year 6.7% Opex de-growth including our CSR contribution for the Covid-19 that Azman mentioned. So, the Opex for the quarter stood at 10.3 billion. And this lower Opex is mainly attributed to the lower revenue driven cost and lower overhead expenses. The 10% de-growth in EBITDA is mainly driven by the lower revenue during the general holidays and the increased cost for the enhanced banquet capacity. So, our EBITDA margin could be maintained at 62.4% for the quarter. In terms of our investment, we resumed in Q-2 with this gradual NOC approval from our regulator starting from the end of Q-1. So, the majority of the Q-2 investments were focused on 4G capacity expansion and the network modernization. We rolled out 132 4G sites and 13 3G sites in the second quarter despite having the general holiday. So, the number of 4G sites reached 10,351 at the end of the quarter. On the net profit, we saw 23.9% decrease in the NPAT that was mainly driven by the lower EBITDA, modernization cost and some higher financing cost. The lower EBITDA, as mentioned before, is mainly driven by the lower revenue. Regarding the

modernization cost, this relates to our organizational restructuring we have and the higher finance cost were mainly driven by the higher FX losses and the interest expenses. On the Operating Cash Flow, we had 1 billion lower in the second quarter compared to last year. And this de-growth is mainly driven by the 2.3 billion de-growth in the EBITDA, which was partly offset by also lower 1.3 billion Capex. Our net debt stood at 0.9 billion. The 4.3 billion increase in net debt from last quarter comes mainly from 2.2 billion lower cash balance excluding the restricted cash and the 2.1 billion higher liability. In terms of the contribution to the National Exchequer, during the first six months of 2020, Grameenphone has paid 46.7 billion Taka, equaling 67% of our total revenues to the National Exchequer in the form of Taxes, VAT, duties, revenue share and fees related to license and spectrum. For the interim cash dividend, I am pleased to inform you that the Board of Directors of Grameenphone has recommended 130% of paid up capital as a cash interim dividend for 2020. This is equivalent to 98% of our profit after Taxes with our dividend per share comes to BDT 30 with this. Finishing here the overview of the financials and would now like to welcome back Azman to conclude our presentation before we then go into Q&A.

Yasir Azman: Covid-19, from what we have seen, has left its mark on our business performance and growth momentum. As we witness gradual recovery, we will continue to focus on strengthening our network with plan investment. Undoubtedly, we are facing one of the toughest situations in recent history that also brings high uncertainty and risk to human life. Our dedication to our communities and the betterment of our societies will always remain at our core as we will continue to use our expertise and aid our government in battling this pandemic. We are all in it together. And thank you, Jens, for taking us through the numbers of Quarter-2. I would now like to hand over to Naureen for our Q&A session. Thank you very much.