

Company: Grameenphone Ltd.
Conference Title: 4Q 2019 Results
Date: Tuesday, 28 January, 2020
Venue: GPHOUSE, Baridhara, Bashundhara, Dhaka – 1229

Michael Patrick Foley: Good morning, everyone and welcome to Grameenphone's earning disclosure for the fourth quarter of 2019. My name is Michael Foley. I am the CEO of Grameenphone. Before we begin, I want to inform you that this presentation along with additional information has been uploaded to our Investor Relations website. Our financial statements for 2019 will be uploaded later today. The Q&A link is live. You can start asking your questions. We will address them at the end of our presentation. In case we miss answering your questions today or something else comes up, please reach out to Naureen with your questions over email. Grameenphone will soon be celebrating 23 years of operations in Bangladesh. This will be on the 26th of March 2020. In these 23 years, we are proud to have been able to empower Bangladesh by bringing connectivity to 76.5 million people out of which 40.6 million are enjoying connectivity to the world through our superior internet services. We have also made our great contribution to the government of Bangladesh by continuing to uphold our responsibilities as the largest taxpayer in the country. In 2019 alone, we have paid more than 8500 crore Taka in taxes, VAT, duties, license spectrum fees and revenue shares to the National Exchequer. In other words, that is another billion dollars. With over 16 thousand towers across the country, we already cover 99.6% of the population and 96% of the geography. What we are particularly proud of, as well, is our ability this year to enable deep sea coverage that we have been able to provide and that is especially beneficial to our fishermen who work out at sea everyday. Over the last two years, we have been able to meet and cover 900,000 children in 580 schools with our "Be Smart, Use Heart" campaign that teaches the practices of online safety to children, parents, and teachers. Our GP accelerator program is an innovation platform where Bangladeshi young entrepreneurs and innovators are supported to take their ideas to market and find mentors and find investments to scale their businesses. So far, we have run five batches of GP accelerator and supported 26 start-ups. We have revamped this program in 2019 extending our reach, finding people from all over the nation to come to the program. Now, Grameenphone reported a solid financial performance in the 4th Quarter of 2019. As an industry, we gained 2.9 million new subscribers in the quarter, ending with 165.6 million subscribers as reported by the BTRC, our regulator. During the same period, mobile data users grew by one million to 99.4 million at the end of 2019. During the 4th Quarter, we reported revenues of 36.2 billion Taka, registering 4.2% growth over the same period last year. And with an EBITDA margin of 61.2%. We were also able to achieve our ambition of rolling out more than 10 thousand 4G sites in the country and this despite the regulatory restrictions placed upon us by the BTRC. We ended the year at a 46.2% SIM market share and we also registered a growth of data of 17% of data revenue YoY. Jens is going to take you through our performance numbers later on in the presentation. In Quarter 4, we were able to expand our 4G network by adding 715 4G LTE sites. We ended this year with 11.9 million 4G customers. This is attributed in no small measure to the focus on the 4G SIM conversion in the market as well as a 4G only data pack

portfolio that we launched. We ensured we are building a more sustainable network itself, a more resilient network. We enhanced capacity on 3000 3G sites, as well as we improved LTE 4G indoor coverage. Aggressive competition continues on data. We ran nation wide trade campaigns with incentives and commissions along with revamping our portfolios and made price revisions in our Flexiplan program. In the 4th Quarter, we faced adverse effects from the weather, as winter came early, a month early, affecting us in November. As a result, we saw some drop in voice usage. There were developments on the regulatory side during this quarter. The Appellate Division ruled on our injunction against the BTRC providing us with an order for a conditional payment and extending the injunction by three months. However, despite the injunctions, the BTRC continues to be uncooperative with us in providing NOCs and restricting our ability to import equipment. I will speak about this topic in more detail now. So, let us speak about the regulatory landscape. Let me start with SMP. In February and May 2019, the BTRC imposed restrictions on Grameenphone as a significant market power. This was done although there were no allegations of abuse of dominance by the operator. Both times, the Honorable High Court Division issued show cause and injunctions on the directives. On the 15th of December 2019, the High Court Division passed its verbal judgement declaring that the directives of May 30th 2019, cannot be sustained in law as the BTRC did not consider GP's reply dated 27 May 2019 prior to issuance of the same. The Court also ordered the recalling of these directives and ordered the BTRC to take steps with respect to the directives within four weeks of the receipt of the certified copy of the judgement. And they were to consider the relevant provisions of the SMP regulations and GP's reply. To date, the written judgement is yet to be published and as of now, there are no SMP restrictions on GP. Now we move to the tower companies. On September the 8th 2019, in order to expedite the existing writ that we had filed earlier, an application was filed seeking direction on the BTRC to allow us to build 279 critical sites. On the 26th of November 2019, the BTRC finalized a full-fledged agreement template in the name of Common SLA. But still this includes not just Service Level Agreements but commercial terms, but no pricing tables and sent the copy of this document to all Mobile Network Operators and Tower Cos. for necessary action. GP responded to the BTRC on the 4th of December 2019, reiterating its previous position that the BTRC should not interfere in the bi-lateral agreements and negotiations between Mobile Network Operators and Tower Cos. We were in fact following to the letter the directives of the BTRC. In that letter, GP also asked the BTRC to withdraw the imposed Common SLA and vet the bi-lateral SLA agreed between GP and edotco in conformity with the original directives on the tower co. from the BTRC. GP sent another letter on the 30th of December, 2019 to MoPT describing the facts and requesting them to intervene to remedy the situation. The GP team also met with MoPT concerns and officials in this regard on the first week of January 2020. On January 22nd this year, a letter from AMTOB, our industry association, was sent to the MoPT sharing all our concerns as commercial operations of the tower cos. Had yet to begin despite all the initiatives from the Mobile Operators' side. AMTOB sought the BTRC's intervention to allow the negotiation between Mobile Network Operators and Tower Cos. maintaining the principles and guidelines in the tower co. regulation for delivering faster, cost-effective and better service to customers. Let me go on now to the BTRC audit. GP has held a position and it always sought to find a transparent solution and process to addressing this incorrect and disputed BTRC audit claim. Regrettably, our engagements and initiatives

have not materialized to tangible results yet. Rather, we have had to defend the company vigorously through legal means. At first, in July 2019, we filed and moved an arbitration application for the appointment of the BTRC's arbitrator and sought for injunction on restrictions imposed by the BTRC before the High Court Division. On October 21st 2019, these applications were rejected since GP had filed a civil suit to challenge the audit. We have decided not to file any appeal against the rejection orders related to arbitration. Now, if we talk about the court cases, on August 2019, GP filed a title suit against the audit demand and moved an application for an injunction in District Court. At that time, it was clear to us that we will probably not get positive views on arbitration. So, we moved to the civil suit. In the title suit or civil suit, GP also asked for interim injunctions in order to prevent any realization measures of the demand from the BTRC and on a BTRC letter dated 22 July 2019, imposing certain operational restrictions on GP, mainly, in this case, the non-approval of NOCs. However, the District Court did not approve this injunction. Faced with this rejection at the District Court, GP filed a civil appeal before the High Court Division and on October 17th 2019, the High Court Division passed an interim order of injunction restraining the BTRC for a period of two months for the realization or enforcement of audit demands. The High Court Division also stayed for a period of time the letter sent to the BTRC dated 22 July indicating that they would no longer approve NOCs for us. It is important to know that since that date even with these injunctions in place, no NOCs have been approved by the BTRC. After that, the BTRC filed an appeal before the Appellate Division against the interim order of injunction in the stay passed by the High Court Division, to which on the 24th of November as many of you know, the Appellate Division ruled that the interim order of stay and injunction passed by the HCD or the High Court Division will be maintained subject to the condition that Grameenphone would pay 20 billion Taka to the BTRC within three months of the order. Failing to do so at that point the injunction will stand vacated but will be enforced before a period of time. On the 18th of December 2019, the High Court Division extended the interim order and injunction for one month in the absence of the certified copy of the order passed by the Appellate Division. The original title suit is pending at the District Court and the next hearing is fixed for the 3rd of March 2020 for a written reply by the BTRC and the Auditor. I think it is important to note again with all these injunctions against the impositions of the BTRC, the BTRC is yet to issue one NOC to us. On Sunday, this last week on the 26th, the Grameenphone filed a review petition with the Honorable Appellate Division of the Supreme court of Bangladesh requesting that the order that was passed on November 24th 2019 may kindly be reviewed. We are seeking considerations of the Honorable Court to allow Grameenphone to deposit approximately 5.75 billion Taka that represents 25% of the BTRC's related portion of the amount demanded in the audit, through twelve equal monthly instalments. So, that concludes my comments for this point and I would like to introduce Jens to come and speak a little bit about our results.

Jens Becker: Thank you, Michael and hello everybody. In continuation of the topic of the audit demand, I will take you now through the accounting treatment related to this demand. As part of the audit process, the BTRC appointed Auditor shared a summary of the draft audit observations of Grameenphone's feedback on 11th December 2017. Grameenphone provided feedback clarifying its position against the observations on 18th January 2018 and on 26th

August 2018, BTRC shared the full audit report for Grameenphone's feedback to which Grameenphone responded in September 2018. Despite numerous interactions with BTRC and full cooperation with the BTRC appointed Auditors, Grameenphone's concerns regarding the audit findings were not addressed by BTRC. On 2nd April 2019, GP received an audit demand of 125.8 billion BDT, which includes 84.9 billion BDT claimed by BTRC and 40.8 billion BDT claimed by BTRC on behalf of NBR. Out of the 84.9 billion BDT claimed by BTRC, 61.9 billion is interest. Grameenphone has disputed the whole audit demand based on errors in substance, methodology, and procedure. We continued engagement with the authorities including the regulator and the Ministry of Post and Telecom requesting to solve the matters through amicable discussion and thereafter through arbitration process. And as mentioned by Michael before, our applications for arbitration were eventually denied by the Honorable High Court. The title suit that we filed at the learned District Court continues, however. Overall, the BTRC audit demand is comprised of claims against 26 line items, of which 22 line items are related to BTRC payments, the principal amount being 22.9 billion BDT, including some sub-judice items that are fully unjustified from Grameenphone's position. The other four line items was a total amount of 40.8 billion and are unauthorized and erroneously claimed by BTRC and are related to already resolved matter or matters pending in ongoing formal resolution processes with the NBR. To reiterate, the errors in the audit findings, the unprecedented long period of over 20 years covered by the audit, the inclusion of already settled resolved items, the erroneous claim on behalf of third parties - in this case NBR, the inclusion of sub-judice items in conjunction of the absence of merit-based determination through any solution process create a significant uncertainty about the validity of the demand and outcome of the dispute. Therefore, as of now, no reliable estimate of liability can be derived. So, turning to the financial overview, GP came with a strong financial performance in the full year 2019 in terms of solid topline growth along with profitability despite significant regulatory challenges with substantial business impact like the increased supplementary duty from 5-10%, the SIM tax increase from 100 to 200 Taka, and the restrictions on the NOC. Also, in Quarter 4, GP saw the continued growth in topline along with profitability. So, the subscription and traffic revenue grew YoY in Quarter 4 by roughly 4.8% despite the continued restrictions in issuing NOCs for telecom equipment/software and tariff approval. Our EBITDA margin came out with 61.2%, which posted a growth of YoY by 3.1% against Quarter 4, 2018 as per IAS '17, restated. On the Earnings Per Share, on a reported basis, the EPS for the Quarter stood at 6.81 Taka with 7% growth from Quarter-4 2018. In the full year 2019, EPS stood at 25.56 with a 3.5% growth from last year. On the subscriber base, we stood by the end of the year at 76.5 million, which means 0.7 million net debt during the last quarter of Quarter-4. The subscriber acquisition was adversely impacted by increased SIM tax, as I mentioned before from 100 to 200 Taka, resulting into 0.6 million decrease in net adds compared to the last year Quarter-4 2018, where we had net debts of 1.3 million. The 4G population coverage reached to 74.5%, which implies a 5.5 percentage increase from last quarter, where we stood at 69%. In subscription market share, we had a marginal decrease of 0.1 percentage point against last quarter. So, 46.2%, where it was 46.3% in a QoQ comparison. Turning to the revenue in more details, we see a 4.2 YoY total revenue growth in Quarter-4 2019, which is mainly driven by 4.8% growth in subscription and traffic revenue, partly offset by lower other revenue, mainly device revenue. The respective 1.6 billion Taka

growth in the subscription and traffic revenue is mainly driven by the growth in data, which also is clear from the data revenue that contributed 63.5% of the incremental revenue as a result of the continued drive on 4G conversion and expansion of the 4G network. We also had a strong full year growth, 9.6% YoY of subscription and traffic revenue, mainly driven by 17% growth in data revenue and 8.5% growth in voice revenue. The growth in voice revenue was positively impacted by the unified flow tariff introduced in Quarter-3 2018. On the data side, we had a 14.2% growth in data revenue, mainly driven by 9.5% increase in data usage, with 3.5 million net adds in data users from Quarter-4 2018. The number of data users end of the period Quarter-4 2019 stood at 40.6 million including 11.9 million 4G data users. With our continued focus on 4G conversion drive, data user penetration improved by 2.1 percentage point from last year. So, 53.1% versus 51%. YoY data ARPU increased by 3.3% in combination of a 54.9% increase in Average Megabyte Per User. So, we are having there, 1.21 Gigabyte now and 33.3% decrease in Average Price Per Megabyte. On the service ARPU, we had a marginal dilution -0.8%, which was mainly driven by lower contribution from voice and interconnect, partly offset by higher contribution from data. The 3.7 lower voice ARPU, mainly driven by 1.6% fall in outgoing Average Minutes Per User and a 2.2% fall in Average Price Per Minute. On a full year basis, the service ARPU remained stable at 157 BDT, excluding contribution from interconnect full year subscription and traffic ARPU grew by 1.3% reflecting 150 versus 148 BDT. In terms of Opex, the Opex for the quarter stood at 11.9 billion with a 6.3% growth from last year. The growth in Opex is mainly driven by higher revenue sharing in Quarter-4 2019 and a one-off reversal in the last year. The higher revenue sharing expense is driven by the revenue growth along with the 4G revenue share after first year's exemption. Excluding last year's positive impacts from one-off reversal, the YoY Opex increase stood by 3.1%. with our continued focus on Opex efficiency, the full year Opex to Sales improved by 1.5 percentage points from 33% versus 34.5% mainly driven by efficient market spend along with lower acquisition cost. On a full year basis, EBITDA grew by 10% with 1.1 percentage point margin improvement, 61.1% versus 60%. Turning to the investment side, we had a 2.9 billion lower Capex in 2019 due to continuation of BTRC's restrictions on issuing NOC on importing telecom equipment, initiating new LCs, and release of already imported equipment from the port. 3.8 billion Capex in Quarter-4 2019 was mostly managed through local procurement. GP continues its focus on 4G roll out and strengthening its existing network for data capacity enhancement and expansion of coverage. We rolled out over 715 4G sites and 128 3G sites in Quarter-4 2019. The number of 4G sites crossed 10,000 at the end of 2019. On the earnings, we had a 7.7% increase in net profit after taxes and EPS on a reported basis in combination with 3.1% growth in EBITDA, higher fx losses 31.10 and 8.6% lower tax expenses on a YoY comparison for the Quarter. On a full year basis, 3.5% increase in NPAT and EPS was mainly driven by 16.5% growth in profit before tax partly offset by 36.8% higher tax expenses. On an underlying basis, 19.4% growth in the full year EPS. So, on the Operating Cash Flow, 0.7 billion higher Operating Cash Flow in Quarter-4 2019 versus last year. The OCF growth was mainly contributed by the EBITDA growth of the same value of 0.7 billion. Our net debt stood at -3.9 billion, with a decrease in net debt from last quarter, mainly coming from lower STL partly offset by 2.5 billion lower cash balance excluding the restricted cash. With having said this, I would like to ask Michael again to come to stage.

Michael Patrick Foley: I want to talk a little bit about our contribution to the Bangladesh economy. And while our contribution is much more than what we pay in taxes, I think it is important to know that in 2019 we paid 85 billion to the Exchequer of Bangladesh. This amount is equal to 59.2% of our total revenues. And since its inception, Grameenphone has contributed 754.5 billion to the Exchequer of Bangladesh. On the dividend side, the board of directors has recommended 50% dividend for the full year 2019. That means our dividend per share will stand at 13 Taka for the full year. This decision was made in line with our current dividend policy of a 50% payout and based on the current uncertainties that we face and keeping our business flexibility to meet our obligations. So, as a recap and going forward, 2019 was in fact one of the most challenging years for Grameenphone, despite which we delivered a really solid business performance. Our 2020 ambitions remain the same. We will focus on sales and traffic revenue growth leading with voice and 4G experience through structural changes and initiatives, modernization and distribution in particular. We hope to improve our EBITDA and we will continue to focus on reputation management efforts to better manage our business priorities while building a future-ready organization. This remains our priority. As you may know at this point, this will be my last earnings call with you and I will be stepping down at the end of this month and I would like to introduce the new CEO Yasir Azman. Azman, please come and join us. Yasir has been with the company for 15 years. He has worked in Bangladesh, India and in Norway. He is probably our most accomplished commercial expert in the group and we are really delighted to have you on board and with that I would ask Jens to join us as well so that we can go into the Q&A.