



Grameenphone Earnings Disclosure

Q3 2021

21st October, 2021

Yasir Azman: Thank you Naureen and good evening everyone, my name is Yasir Azman, CEO of Grameenphone. Thank you for joining us for the third quarter results announcement. I would like to begin with some industry facts. As reported by our regulator, till August 2021 the telecommunications industry has gained almost 8.5 million subscribers, registering a 5% growth from the end of 2020 ending with 178.61 million. GP's customer base end of August 2021 was 82.18 million which is 46.5% of the total mobile subscribers in the country. In the same period mobile data users have increased by over 13 million, reaching to 115.41 million which is 12.7% increase from the end of 2020.

If I may talk about the highlights of the quarter, we continued our top line growth in the third quarter with a 1.8% growth in Total Revenue from last year quarter three, with the addition of 2.4 million data customers this quarter we see an increase of 9.7% data users from last year. We also retained the growth traction in 4G users registering a 55% increase Year-over-Year. We started the third quarter with a stricter lockdown, I would say the strictest one what we have seen during the whole pandemic starting from March 2020, however as the quarter commenced the restrictions were eased significantly.

On the next slide, we have seen the ease of restriction and declining rates of COVID-19 infection rates and deaths number. If I briefly update on COVID-19 situation in to the country, till date more than 1.5 million cases of COVID-19 have been reported with over 27,000 deaths, while over 16 million people have received both doses of vaccine in the country. The first 33 days of the quarter in this quarter three was actually very strict in terms of lockdown where restrictions on movement were far more severe than 2020. This was triggered by the sudden spike as I mentioned in COVID cases and deaths, with the spread of Delta variant as can be seen in the graph in the slide. The infection rates started to decline from August and the restrictions were lifted. We exited the quarter in a near to normal situation. At this point of time its near to normal in terms of business and economic activity. In early September, Government also declared the educational sector to partly reopen, maintaining all health and safety precautions. This is a good development in the second half of the quarter. As of last week, children above age of 12 have been made eligible to receive their vaccines, additionally Bangladesh Government has recently opened up vaccination for any citizen above the age of 18 on the Surokkha app. So vaccination is continuing, we have seen significant number of less infection rate and deaths number, as I mentioned that businesses are in the near to normal now in the country, and the traffic is back in the city.



Going to the next slide, improving growth momentum after withdrawal of lockdown, what we have seen after the withdrawal, we started see improving, as we see the economic activities coming back, that has fueled a growth momentum and as an emergency service provider our on-ground operations related network rollout in spectrum deployment was also uninterrupted. Because of these rollout and network activities and also ease in restrictions we have been able to continue overall network rollout to enhance our customer experience which is fueling the data usage growth, which was a critical element into the overall business mix and we were basically mostly focusing on spectrum rollout and 4G whole country that we rolled out in Q1 and early Q2 to capitalize on that and give better customer experience to the customer during this period.

We focused on acquisition and Gross Add by launching attractive offers for new users in our product portfolio, which has led to 7.7% growth in our subscriber base from last year. Customers uptake on bundles pack continued to grow, this is also we have seen a recent uptake among the customers that they are more towards bundles than probably in isolation buying voice and data pack. This gives us opportunity to fuel ARPU growth.

We continued our partnership with mobile financial services partners offering regular cash back, combo packs, increased validity, leading to a growth of 24.9% in digital recharge from last year. This is an area where we see that we have progressed during this period. In addition, we continued to offer combo packs and cash back on MyGP, which is our flagship digital app, digital channel, we have included exclusive inner product offers and that has led us to get 11 million users at the end of Q3 in our MyGP app.

Other than while driving growth and fixing network experience, we have basically significantly focused on our modernization journey. We focused on building a future-fit company through digitalization of our processes and modernization. Grameenphone has been undergoing a transformation journey, its for several years, and that is to become a future-fit company that can cater to the rapidly evolving needs of our customers. However, it's also not only what you have seen over the last few years, that COVID has also demanded a new way of work and changed the customers behavior significantly in terms of their usage pattern of different services and the way the data uptake had happened. Over the years we have examined all processes facing our customers on a granular level, driving simplification and ease of interaction with our customers in mind. We have also during this period, in terms of technology as a leader into the country, we positioned ourselves 'how can we digitalize and modernize the way that we use technology, the insights, to ensure that we understand the customer behavior better, on-time and fast-track the go-to-the-market.' As a result of all this digitalization in terms of customer journeys and bringing in the new capabilities in the technology side, we have been able to digitize almost 100% of our customers, to be specific 96% of our customer facing interaction



and the services and bring them into our one app, which is self-service app, MyGP; and in addition to product and services we have also introduced several interactive and attractive features into this app, some of which are infinity scrolling and live streaming of sports which has led to over 2 million daily customer engagement into this app.

However, a large portion of our customer base is still not a part of digital world and they're using the basic phone and focusing on them we have extended our flagship retail physical stores, we have brought in 30 new flagship stores to focus in the rural areas to serve our customers better. Now we have 194 Grameenphone Centers and these stores cater to the needs of our customer mostly in the deep rural areas. While doing so we are also working towards acquiring advanced network capabilities which will help us to deliver on demand of advanced mobile services, and high-quality network experience.

As I mentioned we are on a journey towards building a future-fit network that will meet customer digital experience requirements by boosting the quality of service with the jointly built capabilities for bringing in future technologies and as such in 5G, touch-free operation, and fault management, customer complaint management. We have recently entered a partnership with global technology service provider Wipro, which is also an opportunity for local talent to upscale and pursue global opportunities. We are also driving modernization within our organization with the transformation of operating models, implementation of robotics and automation, as well as continuously upscaling our talent with future-fit capabilities. We believe the right mix of competency, capabilities and tools will enable our growth ambition, reinforce our position as a connectivity partner and help move Bangladesh forward. This has been an key focus areas not only this year, since several years, however as I mentioned this year its been digitalizing our customer journeys, focusing on building digital channels driving volume there, at the same time uplifting our technology capabilities internally to support this development while we see the customer behavior changing; and then the entire organization driving **modernization** through automation and digitalization and that's how we see that we are preparing for the future when we see the change digitalization and data regulations are happening.

Moving on, the Business Environment, two topics; one we see that 5G the Government of Bangladesh has been working towards the launch of 5G in the country and having recently launched a consultation process with the telecom industry, we have duly submitted our feedback and this consultation process will continue. There is no specific any date for auction and we as a telco operator and the industry we don't see that the 5G discussion is only confined within the auction **rather it's an ecosystem** build-up and that's how the dialogue is going on. The Tower Co. area, we have entered partnership with two Tower Co. vendors through whom we have already **developed, and deployed** over 1200 sites this year. We are counting in the coming



year as well and we are continuing our discussion with other vendors as well as regulators into the new Tower Co. region.

Moving on to our commitments towards the society, how do we empower our society, it's the basic thing the first that at the end of the September 2021, Grameenphone is connecting a subscriber base of 83.6 million people of whom 46.1 million customers access the internet and 27.6 million are empowered with power of 4G and growing. We have focused on COVID relief, the strict lockdown in the third quarter resulted in many subscribers being unable to recharge and stay connected to those who matter the most to them. In an effort to ensure that connectivity remain uninterrupted we provided free minutes and data to more than 11 million subscribers at zero cost. At the same time, the way we in the previous quarter we joined hands with BRAC under the banner of "Dakche Abar Desh" with the purpose of providing food assistance to the highly impacted population of our society, I am pleased to report that we were able to provide support to over 83,000 families who were gravely affected by the pandemic. While we talk about our focus into the social impact, one is like responding to the disease disaster, the other is responding towards COVID as I mentioned through this "Dakche Abar Desh" program 83,000 families were supported, the other area which is beyond our relevant to COVID, or not relevant to COVID, we do focus on youth, digital, and education; and on 15th of July we jointly celebrated World Youth Skills Day with UNDP to raise nationwide awareness and support the upskill of our youth. Multiple online dialogues with youth and policy makers were organized to bridge the gap, focusing on strategy importance of equipping our youth with relevant skills. We launch month-long "Masterclass" series which will connect our youth to industry leaders and experts will guide them through relevant workforce capability developments. This will remain as a focus area and we will build on the work we have done in Q3.

With this, for the numbers and the financials, I will welcome our CFO, Jens Becker, to take us through and I shall come back at the later stage of the session. Jens.

Jens Becker: Alright, thank you Azman and good evening to everybody. Let me start with a short overview of the key KPIs. In Q3 Grameenphone has continued to deliver a solid financial performance with positive momentum in topline as well as in EBITDA, despite the challenges of a strict lockdown that we saw from the 1st July till 10th of August. After this the overall economy has gradually recovered from COVID-19 with average daily new cases declining to a level of around 1,000 with less than 5% infection rate by the end of September. Followed by the withdrawal of the lockdown the economic activities gradually resumed while educational institutions have been reopening in limited scale from 12th of September after actually 18 months of closure. However, Grameenphone remained active in the market throughout the quarter with strong subscriber acquisition, new spectrum site rollout, and customer focused market activities. In summary, Grameenphone had a +1.9% Year-on-Year Growth in Subs and Traffic Revenue and a +1.3% Growth in EBITDA in Q3, while maintaining



an EBITDA margin of 63.3%. With the continued investment effort backed by the newly acquired spectrum GP's CAPEX to Sales Ratio for the quarter stood at 10.4% on a four-quarter moving average, which was 5.3% on a standalone basis. EPS for the quarter stood at BDT 6.34 with a 3.8% degrowth from last year on a reported basis. The degrowth in EPS was contributed by one-off modernization cost in this quarter.

Now let me turn to more details on the subscriber base. We have continued our subscriber acquisition drive in the market resulting into 1.6 million Net Adds in Q3 along with 2.4 million new data users. The Sub base at the end of the quarter stood at 83.6 million, with a 7.7% growth from last year and 1.9% from previous quarter. According to BTRC published information as of August, GP's subscription market share increased to 46.6% from last quarter which was 46.5%. Our data users for the quarter stood at 46.1 million including 27.6 million 4G data users in Q3. With our superior 4G network experience, Grameenphone's 4G data users increased by 3.8 million from last quarter.

Coming to the revenue now. Despite having negative impact from the strict lockdown until 10th of August, means nearly half of the quarter, Grameenphone continued to deliver growth in its topline. Total Revenue grew by 1.8% Year-on-Year, to 36.2 billion BDT in Q3, fueled by 1.9% growth of daily subscriber and traffic revenue. The increase of the subscription and traffic revenue was mainly driven by growth in voice-data bundles and data-only packs.

Turn to the next page. In addition to the focus on data and voice only packs, Grameenphone continued as I mentioned to promote its bundle services in Q3 to provide better customer value along with enhanced experience. By launching attractive combo bundle packs along with the continued digital adoption efforts through both own and third-party digital channels, bundle revenue grew by more than 10 times compared to last year and 1.6 times from last quarter. Excluding these bundles, data-only packs and pay-as-you-go revenue increased by 4.5% from last year. With this substantial growth in bundles the overall subscription traffic revenue grew by 0.6 billion, as I mentioned 1.9% Year-on-Year.

Turning to the ARPU and Usage. Grameenphone continued its value proposition through attractive market offers supported by the superior network experience through newly acquired spectrum and 4G network expansion. As a result, GP's average megabyte per user grew by 52.4% from last year and 9% from last quarter standing at 3.9 gigabyte per user now. The overall service ARPU decreased by 5.9% from last year mainly due to lower contribution from our voice segment due to the lockdown impacts partly offset by the bundles.

Next Page. OPEX for the quarter stood at 11 billion with a Year-on-Year +1.9% growth. This Year-on-Year growth in OPEX mainly driven by higher regulatory and



energy cost. In terms of EBITDA GP posted a Year-on-Year +1.3% growth with a stable margin of 63.3%. The growth in EBITDA was mainly driven by the higher revenue growth.

On the next, turning to CAPEX. GP have invested 1.9 billion CAPEX excluding license and lease in Q3 focusing mainly on 4G network coverage and expansion. We rolled out more than 5,300 new sites and more than 1,500 new coverage sites in the last 12 months. At the end of Q3 the number of 4G sites reached 16,795. 4G population coverage reached 96.8% which is an 0.5 percentage point increase from last quarter.

Turning to profits. GP's Net Profit for the quarter stood at 8.6 billion with a 23.6% margin. On a reported basis, Year-on-Year Net Profit and EPS for the quarter decreased by 3.8%. The Year-on-Year degrowth in Net Profits is driven by one-off modernization cost, however excluding the one-off items in both fiscal periods Net Profit would have grown by 1%.

Next Page. In terms of Operating Cashflow GP recorded a Year-on-Year 1.6 billion growth, contributed by 0.3 billion higher EBITDA and 1.3 billion lower CAPEX. Net Debt stood at 10 billion as of Q3 in combination of 13.9 billion liability and 3.9 billion cash balance excluding the restricted cash.

Next Page. In terms of our contribution to the National Exchequer we stand at 79.2 billion Year-to-Date equaling around 74% of our revenues.

With this I would like to hand back to Azman for wrapping up.

Yasir Azman: Thank you Jens. To recap, in the third quarter our topline growth is being driven by the growth in users and usage as we highlighted just a while back. Improving our customer experience as a result of network rollout and spectrum deployment will continue to remain key factors behind our growth momentum, and we will continue to pursue our journey in enabling our growth through modernization, evolving business models, and competency development, and as well as creating partnership that will help us to cater to the constantly evolving connectivity needs for our customers.

With that I will hand back to Naureen for Q&A.