Welcome to Grameenphone Ltd. 1Q 2017 Results, Monday, 8 May 2017, GP HOUSE, Baridhara, Bashundhara, Dhaka.

Md. Khaled Maruf (Head of Investor Relations): Good Afternoon. Welcome to the first quarter 2017 financial results of Grameenphone Ltd. I am Maruf, Head of Investors Relations. Today I would like to begin once again with sincere apologies regarding the delay of the publication. Then regarding the usual agenda that we have, we will follow the regular format. At the very beginning, our CEO will give highlights and after that the CFO will give the financial aspects of it and at the end we will take the Q & A. At first we will take questions from the audience and after that we will take questions that from our foreign participants who are connected via our webcast platform. I would like to call up on stage our CEO to start the discussion.

Petter Furberg (CEO): Welcome to GP House. We are doing it in GP House today as contribution to improve Opex margins in Quarter-2. So, from now on you will not find us in expensive hotels anymore. But as you can see, our EBITDA margins are as good as they are. I will start by stretching upon to the fact that today we announce that I am not for very long going to stay as interim CEO. It was announced when I came in October-November that I would be an interim CEO and now we have appointed the next CEO. His name is Michael Foley. He has been working with Telenor for the longest period as CEO in Telenor Pakistan and for the last six to eight months as the CEO in Bulgaria. So, he will take his family and move to Dhaka and he is joining from 26th of May. I will at the same time then become the chairman of the board of Grameenphone Ltd and I am also then the Head of Telenor in emerging Asia region which covers Myanmar, Bangladesh, and Pakistan. So, I will still be around. I will still be focusing. And then the last sort of happy message we also have today is that Yasir Azman, our CMO, is also taking up a new role as Deputy CEO. That is also a reflection of the complexity and the size of the business that we are running and to ensure good continuity. So, from an investor’s point of view, though you have seen a lot of changes in the management of Grameenphone Ltd through many years, I think at least with this change you should be comfortable with the fact that there is continuity. There is continuity in terms of strategy, which in a company like Grameenphone Ltd is not set by one person. It does not change with the CEO. It is a part of a process. There is a handover now where I am also continuing to be on the board and follow up operationally through the cluster within Telenor and then Azman is stepping up as Deputy CEO which ensures that we will continue to deliver good financial results and continue to develop Grameenphone Ltd to be a good citizen of Bangladesh. So, with that I can also answer questions, of course. Now, a little bit on the highlight. It is a proud 20-year history for Grameenphone Ltd. We celebrated the jubilee in end of March which was then exactly 20 years since we launched our service in Bangladesh. At the time, I talked to some of the pioneers that actually were here. Some of them came from Norway. We are part of together with entrepreneurial Bangladeshis to startup this venture. Their business plan at the time indicated that at peak they would have five hundred thousand customers and today we have sixty million. It was a
project which had to be funded by the development aid agency of Norway because Norway thought that this would be big business and today it is the second largest business unit within Telenor and it is by far the biggest, well not by far, it is the biggest tax payer in Bangladesh. So, it is a tremendous success in terms of both the commercial aspect as well as the contribution to Bangladesh helping sixty million people to be connected and also to become very important contributor to the society of Bangladesh. We are in this quarter delivering the eighth quarter of continued revenue growth. We are also now having three quarters with more than 10% year on year growth and which is in itself an achievement. Our business typically is a little bit up and down. You have some really successful quarters and then you are hit by something that you would get defocused or competition hits you. The most amazing thing with this organization is the ability to stay focused and to continue to deliver more. And a lot of credit goes to particularly Azman, our CMO, for being able to build an organization that is very good at every single day be out there to fight for customers and for revenue. In terms of Opex efficiency, as you will see in this quarter’s numbers and which I hope you will be able to see going forward, we grew total revenue with more than 11% and Opex only with 2.6%. We do believe that we will be able to take out more and more scale but also to over time now flatten out the Opex curve overall. The challenge for Opex is mainly the growth of the network. As we are expanding network, we also typically take on more. What you are seeing is that there is more and more efficiently also being taken out on the network side but in addition to that also on the sales and marketing area. GP is first and foremost known and has to continue to be known for network and network quality. We had massive expansion of our 3G network last year. We are continuing to focus on staying good in the areas where we are and continuing with some expansion this year but the expansion in terms of network is significantly more limited this year than it was last year. We are also doing a lot with respect to simplifying the products. We are following a measure that is called NPS (Net Promoter Score). NPS (Net Promoter Score) strengthened substantially last year on both the network quality improving but also on the fact that the company went through a simplification process. We reduced our product portfolio substantially. We simplified our product portfolio to make people trust us more. The results of that last year was substantial increase in NPS and we saw even in this quarter 4% point increase in NPS as a result of delivering quality network and simple and easily understood product portfolio. We are continuing to expand distribution and we are continuing to innovate on distribution. I think the future for company like us is very much on that the merge between physical and digital distribution will become very important in a country like Bangladesh. We are experimenting with our GP Express Stores where our partners are able to bring people to online goods and get it delivered at the local points of sales. This is a business that we think will expand and we are testing it today with five thousand GP Express Stores end of last year which are this year expanding to around seven thousand. This is again truly remarkable for a mobile operator in today’s world. We are able to keep voice revenue growing and we are able to keep the rates stable. This is not done by itself. It is by very deliberate and very focused activities in terms of continuously upselling customers. One of the key upselling mechanisms that we did in Quarter-1 was that we took roughly 30% of the customers that previously were buying a 29 taka package up to 39 taka. We increased a voucher which was hugely popular at 9 taka up to 10 taka. With that, people got 25 minutes with 9. They have still got 25
minutes with 10 but plus 25 SMS. This is a very deliberate attempt to keep pushing customers up, which is why you also see a relatively stable development in terms of ARPU. On data, we are even more proud of the marketing team, we saw that GP, through last year, had a relatively low price in terms of data also compared to competition. And our ambition is not to be the price leader on data. Substantial activities have been done in terms of taking away free airtime. You see that in the start offers that we had in the market but GP has systematically taken it down from around 6 GB to 3 and is spreading it out over now 5 to 6 months for new customers. We have also taken out free offers in other offerings to the customers. And on data we have had around 6% price increase per megabyte in Quarter-1 compared to Quarter-4. And that is contributing I think roughly half of the data increase which in itself was around 60% I think of the overall quarter on quarter revenue increase. Regarding efficiency, I have touched up on it. It is a combination of both marketing and network, which I think you also should expect continuing. We will, despite the fact that the network is expanding, be very focused on taking out deficiencies within the network area in addition to continuing to rationalize our marketing spent. The challenge in the marketing side is of course that we also have to continue to grow but this is a balance that we are trying to manage. In terms of customer, we are also focusing on driving self-service which is a combination of many things. One is self-service channel *121, which is USSD based menu. We believe that despite sort of lot of companies talking only about apps, we still believe USSD is a very efficient channel to serve our customers. In addition, we are pushing smartphone users on to apps. We have by end of this quarter, one million active users of our My GP app. I think that is just the beginning. We will see more but we have not fully cracked how we keep people actually active on a self-service app and that is critical for us to be able to self-serve customers in a smartphone. Also, we would respect responding to customers' queries. I think in case of more than 30% of our customers that are coming through Facebook, we are able to respond to on a chat bot and it is 6 minutes response time on those customers that are contacting us through an online channel. And you can also see that the call center volume has been substantially reduced and we have very high ambitions with respect to where we want to take the call center volumes in this year particularly. In terms of the self-service, the unique number of customers that are actually using them on any one of these channels is steadily increasing. Call center in a country like Bangladesh is not a huge cost but it is an indication that something is wrong. People are calling the call center either because they have a network problem; they do not understand the promotions or they need help to fix something. All of these things, we believe that we in general have a responsibility for fixing. With improved quality of network, with simplified products and offerings, and by self-service channels we should be able to reduce call centers to a very low level. Now coming to 4G, for a long time I thought that in Quarter-2, we would be in an auction. But our dear regulator has been more focused on launching voice mail than on getting 4G license out in Bangladesh. So, we are not there. And I do not think it is highly likely that this will be possible for the regulator to auction out new spectrum within anything shorter than five to six months. So, now we are approaching the end of the year most likely for any potential auction. There are some guidelines out. We have seen them through the media. We do not like what we see because with a 4G licensing they are indicating that they would like to charge us now 15% revenue share instead of 5.5%. They are indicating that
they will charge for spectrum neutrality; our ability to use the existing 2G spectrum for 3G or 4G and through that improve the quality of service in Bangladesh. They want to charge us for that. Numbers are ranging up to seven million US dollars per megahertz for a company that has more than 30 megahertz of spectrum. That becomes a quite substantial cost. They are also indicating spectrum price of various numbers but possibly 25 to 27 million per megahertz for new spectrum which is also very high if you compare to Asia benchmarks as of today. In Myanmar, just last week the government allocated 10 megahertz to all the four operators on 1800 band with a fixed price of eighty million US dollars for 10 megahertz. So, it is eight million or a third of what is indicated here in Bangladesh. So, this is highly uncertain and what we see so far, we do not like. And I do believe that is a general perception from the mobile industry that if the government really wants to fast track 4G and get it to the market, they have to hurry up and they have to definitely make the terms better for this to be a viable business case. With that, I think I will hand over to Dilip for more details on the numbers and I am ready for your Q & A afterwards.

Dilip Pal (CFO): Thanks Petter. Good afternoon and a very warm welcome to our Quarter-1 earnings call and thank you for coming here with such change of venue. Also as Maruf said sincere apologies for delaying this but I hope this is useful for you. So, let me straightway get into the financials. So, we reported another quarter of double digit topline growth driven by all streams of revenue which has been actually the flavor for many quarters, in regard to voice, data, and bundle services. So, I will talk about that a little later. With our strong focus on our cost agenda, we reported 58.1% EBITDA margin for Quarter-1. As you can see, our Capex to sales came down. This is something which we have indicated to you last year. We had a huge roll out of 3G, which we finished during first half of last year and that is why our Capex to sales level went up. Quarter-1 was the highest. Now this is coming down as we are more kind of spreading out our Capex throughout the year. With 16.9% profit after tax growth year on year, quarterly basis our earning per share is at a very healthy level of 4.86 BDT. Now, a little bit more on the revenue numbers. Petter mentioned about eight quarters of sequential subscription and traffic revenue growth. Again, subscription and traffic revenue growth for your understanding is service revenue excluding interconnect. That has shown eight consecutive quarters of growth. We also reported in last three quarters our double digit topline growth. If you see the revenue growth from Quarter-1’16 to Quarter-1’17, it is about roughly 3.1 billion. Out of 3.1 billion, 1.8 billion came from data and 1.4 billion came from voice. We also have roughly 0.3 billion coming from bundle services but we also have decline of about 0.3 Bn in interconnect revenue. So, we have accelerated our voice growth in this quarter. Last year our full year voice growth as we reported was 5.1%. In Quarter-1 this year, we reported 7.1% and that is coming on the back of a stable voice price which Petter mentioned. We have been seeing stability in voice price for some time now. Also, there are very healthy good quality new subscribers that we have added in this quarter, which is 1.9 million. And that is helping to keep our accelerated voice growth that we have seen in Quarter-1. We sustained a very high data growth and if we just remind you, we have been growing over 60% data growth over a long period of time. Despite that now we are cycling a higher base because this is in fact the 4th year of 3G services in Bangladesh.
Despite that we have sustained a 65% data growth. Again, it is fueled by price stability. In fact, in Quarter-1 we have seen price increase and also new subscriber, new internet subscribers that we are adding. Also there is the usage growth that we are experiencing. I mentioned about interconnect revenue de-growth. That is about 13% on year on year. See, if you look at our data revenue growth which exactly was as mentioned, it is a healthy sustained growth on a quarter on quarter basis. We have now 60% of our incremental revenue coming from data. And now data revenue contributes 16% of service revenue. We added close to seven hundred thousand internet subscribers in this quarter. And data sub-base now contributes for 42.2% of our total subscriber. But one thing I also must mention to you here is that the sustainability of data growth will also depend a lot on the device penetration which we are also driving by ensuring that it is not only the device companies who are driving device sales in this market. We are participating significantly in this because the data growth will depend a lot on device penetration, data-enabled handsets and also smartphone penetration. Again, on service ARPU, we spoke about it throughout last year. This is another very healthy and very good trend that we have seen on a quarter on quarter on year on year basis. Service ARPU grew by 6%. And if you exclude interconnect, the growth was 8.3% and as I said, interconnect de-growth was mainly on account of international incoming. So, it is a really healthy growth that we have seen. Then comes the service APMM. In this quarter, there is a marginal increase of service APMM from 62 paisa to 63 paisa. But on a slightly broader period, if you see we are kind of able to maintain a stable service APMM or growing a little bit over a long period of time. And that is again very positive. In terms of usage, average outgoing usage per customer is also growing. That is growing year on year basis by 5.2%. For data, we have as we said 65% growth. That is also coming from 30% increase in data ARPU on a year on year basis. Data ARPU which used to be 47 taka in Quarter-1 of ‘16 has gone up to 61 taka in this quarter. And the megabytes per user have grown 61%, which is now currently 621 megabytes per customer. We understand this is still low compared to the opportunities in other markets that we see in neighboring countries. But again, data is fairly new in this market and this is growing at a very rapid pace despite adding a lot of customers to our base. And Petter mentioned about on the realization per megabytes that is also quite steady. At least in last four quarters we have not seen a decline. On the contrary, in Quarter-1, we have seen a little increase of about 6% on a quarter on quarter basis. In terms of Opex, I think our clear strategy is around driving growth with efficiency and that is reflected on our quarter on quarter numbers. The Opex growth was only 2.6%. Opex to sales which was 35.5% in Quarter-1 of ‘16 came down to 32.8% and this is despite 11.1% growth in our total revenue. And that is helping in growing our EBITDA. Against 11.1% topline growth, our EBITDA growth was 16.9%. EBITDA margin expanded by 2.8% in this quarter. In terms of Capex, I mentioned about Quarter-1’16, if you look at our quarter, that was 23% Capex to sales predominantly to complete our 3G roll out. But it is now gradually coming down. It is coming down to a level which is what we believe is the reflection of what we are doing currently in the market. We have now roughly 12,200 physical locations, sites for coverage and then 93% of those sites are co-located with 3G site and we have the largest deployment and largest footprint of both 2G and 3G in this country and will continue to have that. OCF is very healthy. As you can see, in last year’s Quarter-1, OCF because of the higher Capex was lower. But this year,
moderate Capex and also higher EBITDA is contributing to a very healthy OCF of 13.3 billion with the margin of 43%. And net debt to EBITDA is actually at a historical low and we generated significantly large amount of cash and we needed to borrow therefore less amount in this quarter. Net profit after tax is 6.6 billion in this quarter. We have as I mentioned 16.9% growth on a year on year basis. Also, we would like to talk about two exceptional items in this quarter that we have reported. One is, as you have noticed, that the local currency has depreciated more specifically against dollar where we have our foreign currency denominated loan in dollar. And it depreciated also against NOK, Norwegian Kroner. And that has a loss of 414 million BDT that we have booked in this quarter. And we also have taken an impairment of IT assets which we feel we do not require it and that was around 161 million. We took that call to ensure that we do not end up spending money on maintenance of a system which is no longer giving us the benefits that we thought we have. And that is reflected on a healthy earning per share of 4.86. So, in summary, I think it is a very good start of the year with a very satisfying overall financial performance. With stable voice price and data price that we have shown you, I think that is helping us in ensuring that we have a topline growth momentum and that continues. And also the focus that we have on our efficiency which is the overall cost agenda driving and keeping it at a level which we feel sustainable is also helping us in delivering improved EBITDA margin and also higher earnings per share. We are very confident that the strategic ambition that we have to have the best voice and data network is going in the right direction and also with the clear focus on driving growth with efficiency. So that is all from my side on the financials for Quarter-1. Thank you very much.