Grameenphone Ltd.: 2nd Quarter 2017 Business Highlights

**A Strong performance in a competitive quarter**

Grameenphone delivered another strong quarter with double digit total revenue growth of 15.5% (YoY) and subscription and traffic revenue (excluding interconnection) growth of 18.0% (YoY). Data revenue grew by 58.6% (YoY). Voice revenue growth momentum improved further to 11.2% (YoY) with healthy growth in minutes of usage. Higher revenue and operating efficiency contributed to EBITDA of BDT 19.9 Mn. Earnings per share for the quarter was BDT 5.87.

**Scorecard**

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<tbody>
<tr>
<td>Revenue Growth (YoY)</td>
<td>15.5%</td>
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<tr>
<td>Opex to Sales</td>
<td>30.9%</td>
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<tr>
<td>EBITDA Margin (boi)</td>
<td>61.2%</td>
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<td>Capex to Sales</td>
<td>12.4%</td>
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<tr>
<td>OCF Margin</td>
<td>51.2%</td>
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<tr>
<td>EPS (BDT)</td>
<td>5.87</td>
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**Intense market competition**

The industry passed a competitive environment during the quarter. Subscriber acquisition gained momentum with highly generous free data offers as well as higher channel incentives. Stand alone data offers were also generous.

The quarter also experienced 19 days of heavy rainfall, storms and landslides. The month of April accounted for 12 days out of it. Cyclone MORA also hit the country with high winds and rain at the end of May. This impacted the regular market operations along with network availability.

Updated industry subscriber information is not yet published by the regulator.

**Grameenphone: Sequential 4 quarters of double digit revenue growth**

**Revenue & Subscriber**

Grameenphone delivered BDT 32.4 Bn revenues for the 2nd quarter of 2017. With this, the company delivered sequential 9 quarters of revenue growth. Subscription and traffic revenue (excluding interconnection) grew by 18.0% (YoY), with contribution from both data and voice segment.

Data revenue grew by 58.6% (YoY), driven by 24% increase in data user and 58.2% growth in data volume. Data revenue contributed to 16.5% of service revenue for the quarter. Voice revenue growth improved to 11.2% (YoY) against 17.6% growth in outgoing minutes of usage. Improving daily revenue generating base both in voice and data along with stable voice price is driving this growth. Interconnection revenue declined by 7.2% (YoY) during the period.

Quarter end active subscriber base was 61.6 Mn, a 2.9% growth from last quarter. Data subscriber base stood at 27.0 Mn with 1.8 Mn addition during the quarter. With this, 43.9% of total subscribers are using Grameenphone internet services.

**Service ARPU, AMPU, APPM and AMBPU**

Service ARPU increased by 8.6% (YoY) while AMPU increased by 3.6% (YoY). Service APPM increased by 4.9% (YoY) due to EID festival monetization. On the data segment, ARPU grew by 27.9% (YoY) to BDT 63. AMBPU increased by 27.6% (YoY) and stood at 660 megabytes. The quarter saw marginal decline in APPMB due to competitive offers and EID festival bonus.
Higher revenue and operating efficiency contributing to improved EBITDA & NPAT

Higher revenue and operating efficiency driving higher EBITDA

Operating expenditure for the quarter was BDT 10.0 Bn, a 2.3% decrease from last year. The quarter featured positive adjustments in accruals mainly from service maintenance fees (BDT 496 Mn) and BTS electricity (BDT 222 Mn). Normalized opex growth is 8%, coming mainly from higher revenue driven cost, subscriber acquisition cost and BTS rent partly offset by improved efficiency in market spending. Despite the increase, normalized operating expenditure margin was 33.7% with 2.3 percentage points improvement from the same period of 2016.

EBITDA (before other items) grew by BDT 4.6 Bn, driven by higher revenue of BDT 4.3 Bn and lower opex of BDT 0.2 Bn. Normalized EBITDA grew by 21.6% (YoY) against the revenue growth of 15.5%. Normalized EBITDA margin for the quarter was 57.7%.

Grameenphone invested BDT 3.3 Bn (CAPEX excluding spectrum fees) mainly for expansion of 3G as well as 2G coverage and customer experience enrichment. This has taken the Capex to sales ratio to 12.4%, considering moving average of last 4 quarters. During the period, 141 2G and 225 3G sites were added in the network. 93% of company’s total sites are now 3G enabled; YTD total number of 2G and 3G sites now stands at 12,363 and 11,557.

Cash flow and profitability

Operating cash flow (EBITDA minus Capex) for the quarter stood at BDT 16.6 Bn with margin of 51.2%. Operating cash flow as well the margin improved due to lower capex and higher EBITDA.

Net profit after tax for the quarter was BDT 7.9 Bn with profitability margin of 24.4%. Normalized NPAT growth was 36.7%. The quarter posted foreign exchange loss of BDT 192 Mn. Earnings per share was BDT 5.87 for the quarter.

Balance Sheet & Debt

Total assets at the end of quarter stood at BDT 133.4 Bn. Net debt to EBITDA (12 months rolling) stands at 0.10 and net debt to equity ratio to 0.20.

Dividend

The Board of Directors has approved interim cash dividend for 2017 @ 105% of paid up capital in cash (i.e. BDT 10.50 per share) on 12 July 2017. The dividend was declared from provisional net profit for the first half of 2017.

Regulatory Highlights

4G operating license and spectrum auction & technology neutrality guideline
Telecom ministry published 2 guidelines on 4G operating license and spectrum auction & technology neutrality on 4 July 2017 and 10 July 2017 respectively. MNOs are providing necessary feedback

Further hearing before VAT Appellate Tribunal on SIM tax for 2007-2011 took place on 11 Apr’17. Tribunal is expected to pass its judgment. LTU -VAT issued show cause notice of BDT 3.8 Bn relating to SIM tax on replacement SIMs for 2012-2015. Preparation is ongoing for next course of action on the notice.

Cost modeling of Data
BTRC initiated cost modeling exercise to review data tariff. Regulatory appointed a consultant from International Telecommunication Union (ITU). Industry consultation is ongoing in this regard.

Budgetary changes for 2017-2018
Government postponed new Value Added Tax (VAT) and Supplementary Duty Act – 2012 for two years. SIM tax is unchanged from 1 July 2017. 5% additional supplementary duty on mobile handset was imposed. VAT was exempted from modem.

For any query please contact: http://www.grameenphone.com/about/investor-relations