A strong performance in a challenging quarter

Grameenphone Ltd. (GP) delivered another strong quarter with double digit total revenue growth of 12.8% (YoY) and subscription & traffic revenue (excluding interconnection) growth of 15.3% (YoY). Data revenue grew by 42.2% (YoY). Voice revenue growth continued with 10.3% (YoY) for the period. Total subscriber increased by 2.3 Mn along with 2.9 Mn addition in data users. Higher revenue and operating efficiency contributed to EBITDA of BDT 19.5 Bn. Earnings per share for the quarter was BDT 5.16.

Heavy rainfall, severe flooding and intense market competition marked the quarter

The quarter was particularly challenging one due to heavy rainfall and the disastrous flooding that affected much of the country. The industry continued to be very competitive on a number of fronts including subscriber acquisition. Generous free data offers on new acquisition, higher channel incentive and stand alone generous data offers continue to be the market highlights.

The industry added 3.3 Mn subscribers during the first two months of the quarter, taking the total base to 139.3 Mn. With this, the estimated SIM penetration at the end of August 2017 stands at 80%.

Grameenphone Ltd.: Sequential 5 quarters of double digit revenue growth

Revenue & Subscriber

GP delivered BDT 33.2 Bn revenues for the 3rd quarter of 2017. With this, the company delivered sequential 10 quarters of revenue growth. Subscription and traffic revenue (excluding interconnection) grew by 15.3% (YoY), with contribution from both data and voice segment.

Data revenue grew by 42.2% (YoY), driven by 31% increase in data user and 68% growth in data volume. Data revenue contributed to 17.8% of service revenue for the quarter. Voice revenue grew by 10.3% (YoY) against 14.9% 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 4.8% (YoY) during the period.

The number of subscriptions increased by 2.3 million during the quarter. Total base stands at 63.9 Mn, which is 3.7% higher than last quarter. Data subscribers grew by 2.9 Mn, driven by strong retail execution and competitive offers. With this, 46.9% of total subscribers are using Grameenphone internet services.

Service ARPU, AMPU, APPM and AMBPU

Service ARPU increased marginally by 0.6% (YoY) at the backdrop of healthy subscription growth of 16.1% (YoY). In the data segment, ARPU grew by 8.6% (YoY) to BDT 63. AMBPU increased by 27.9% (YoY) to 754 megabytes despite 31% (YoY) user growth. The quarter saw sharp decline in APPMB due to competitive offers of previous quarter and EID festival bonus.

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Higher revenue and operating efficiency driving higher EBITDA

Operating expenditure for the quarter was BDT 11.0 Bn, a 10.5% growth from last year. Growth in operating expenditure is mainly coming from higher revenue driven cost, higher SIMS sales of 1.4 Mn and higher network costs from 1,200 additional sites. This was partly offset by efficient market expenses, discretionary cost and headcount efficiency.

One-time payment of BDT 100 Mn was reported for flood relief program carried out during the quarter. Normalized opex growth is 9.4% (YoY) with 0.9 percentage points improvement in margin.

EBITDA (before other items) grew by BDT 2.7 Bn from higher revenue of BDT 3.7 Bn and higher opex of BDT 1.0 Bn. Normalized EBITDA grew by 16.5% (YoY) against revenue growth of 12.8%. Normalized EBITDA margin for the quarter was 58.4% with 2.0 percentage points improvement.

GP invested BDT 2.1 Bn (CAPEX excluding spectrum fees) mainly for expansion of 3G coverage and capacity enhancement. This has taken the Capex to sales ratio to 12.0%, considering moving average of last 4 quarters. During the period, 154 2G and 284 3G sites were added in the network. 95% of company’s total sites are now 3G enabled and this covers 92% of country’s total population. YTD total number of 2G and 3G sites now stands at 12,517 and 11,841.

Cash flow and profitability

Operating cash flow (EBITDA minus Capex) for the quarter stood at BDT 17.5 Bn with margin of 52.5%. Operating cash flow as well the margin improved due to lower capex and higher EBITDA.

Net profit after tax for the quarter was BDT 7.0 Bn with profitability margin of 21.0%. BDT 1 Bn was paid to 265 employees as part of voluntary retirement scheme offered. The quarter posted foreign exchange loss of BDT 498 Mn. Normalized NPAT growth was 17.7% with 1.0 percentage points improvement.

Balance Sheet & Debt

Total assets at the end of quarter stood at BDT 126 Bn. Net debt to EBITDA (12 months rolling) stands at 0.16 and net debt to equity ratio to 0.42.

Regulatory Highlights

4G operating license and spectrum auction & technology neutrality guideline

Telecom ministry published 2 guidelines during early Jul’17 on which MNOs jointly provided feedback. In Sep’17 Ministry has approved the guidelines where concerns of MNOs were not addressed, however, those are yet to be published. CEOs of the MNOs raised their concerns again.

Tower Co. licensing guideline

Ministry of Posts, Telecommunications and Information Technology released the revised Tower Sharing Guideline on 10 Sep’17. Ministry reiterated their existing legal rights to build, maintain, operate and co-locate towers.

Telecom VAS guideline

BTRC published draft guidelines on Telecom VAS (TVAS) on 22 Aug’17. MNOs provided feedback under AMTOB banner during Sep’17. The draft guideline highlights that MNOs are entitled to offer VAS service.


VAT Appellate Tribunal dismissed the appeal on SIM tax for 2007-2011. Challenging the dismissal GP filed an appeal before the High Court Division and hearing is yet to commence. LTU -VAT issued show cause notice relating to SIM tax on replacement SIMs for 2012-2015 which GP has replied seeking hearing. NBR Chairman formed a committee seeking recommendation for expeditious disposal of few pending law suits including dispute relating to SIM replacement 2007-2011.

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