



# Grameenphone Ltd.: C-31531(652)/96 4<sup>th</sup> Quarter 2018 Business Highlights

## Healthy topline and subscriber growth amidst ongoing challenges

**Grameenphone Ltd. (GP) reported 7.6% (YoY) total revenue growth and 11.3% (YoY) subscription & traffic revenue (excluding interconnection) growth. Data revenue grew by 25.1% (YoY) and voice revenue growth continued with 11.9% (YoY) for the period. Total subscriber increased by 4.7 Mn along with 0.7 Mn growth in data users. YoY normalized EBITDA uplift of BDT 2.6 Bn driven by higher gross profit and nominal opex growth. NPAT for the quarter was BDT 11.5 Bn with contract change impact. Higher operating cash flow of BDT 1.1 Bn resulted from lower capex.**

### Executive Summary (Reported Basis)

BDT Million	4Q2018	3Q2018	Q-Q	Y-Y
Subscription & Traffic Revenue	32,433	32,001	1.4%	11.3%
Service Revenue*	34,060	33,873	0.6%	8.9%
Total Revenue	34,738	34,312	1.1%	7.6%
Gross Profit	32,666	32,503	0.5%	8.9%
Opex	11,040	11,279	-1.6%	0.3%
Opex Margin	31.8%	32.80%	-0.9pp	-2.3pp
EBITDA**	21,621	21,224	1.7%	13.8%
EBITDA Margin	62.2%	61.8%	0.3pp	3.4pp
Profit After Tax	11,521	8,892	28.8%	41.6%
Capex	3,922	4,634	-15.4%	-16.8%
Ops Cash Flow***	17,698	16,590	6.4%	24.0%
OCF Margin	50.9%	48.30%	2.5pp	6.7pp
EPS (BDT)	6.72	6.58	2.1%	51.9%

\*Includes interconnection \*\*Before other items \*\*\*EBITDA minus Capex

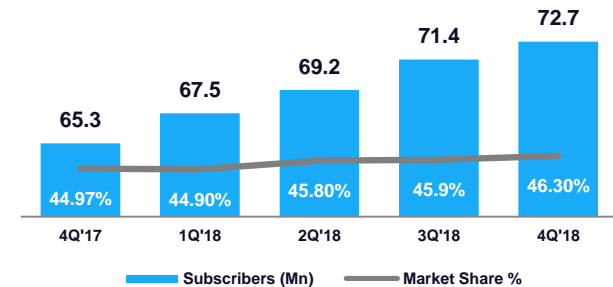
Grameenphone experienced a strong financial performance in the fourth quarter in terms of growth, efficiency and profitability. There were a number of regulatory directives that were implemented in this quarter, the most notable being the SMP regulation which is under active discussion and yet to be finalized.

There was less aggression on competition this quarter due to impending elections and seasonality effect. The industry acquired 11.8 Million new subscribers, growing 8.2% from last year. Real sim penetration in the country stands at 57% at the end of 2018.

We gained 1.3 Mn subscribers in the fourth quarter, ending the year with 72.7 Mn, experiencing an 11.3% growth in sub-base from the same period last year. SIM market share increased to 46.3%. We continued to acquire quality subscriber with an 18.8% churn rate at the end of the quarter.

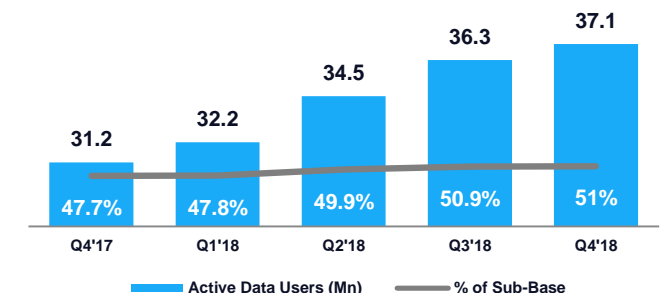
We launched new number series 013 on 14<sup>th</sup> Oct'18 reaching 2.9 million subscribers at the end of the year.

We successfully launched our monthly voice pack 350 mins @ BDT 199, reaching 100K hits per day. We also introduced voice packs on MyGP, GPAY and Wowbox. Our data pack 2GB @ BDT 38 reached an uptake of 550K hits per day.



We revised our daily and weekly data packs to monthly data packs in order to upgrade our customers. VAT correction on data packs was implemented on Flexiplan, contributing to 7% MoM growth in Flexiplan revenue.

Number of data subscribers increased by 5.8 million to 37.1 Mn, leading to a 18.9% growth from the same period last year and a 0.2% growth from last quarter. APPMB remained steady from last quarter while ARPU grew by 3.6%. We launched successful campaigns for retailers for 4G sim replacement, reaching 6.3 million at the end of 2018. New packs were introduced for MyGP and Wowbox to boost acquisition.



We reached 5.5 Mn 4G users at the end of the quarter, with 54.6% of 4G devices within the coverage area are using 4G sims. We reached 7 Mn unique 4G user milestone during the fourth quarter.

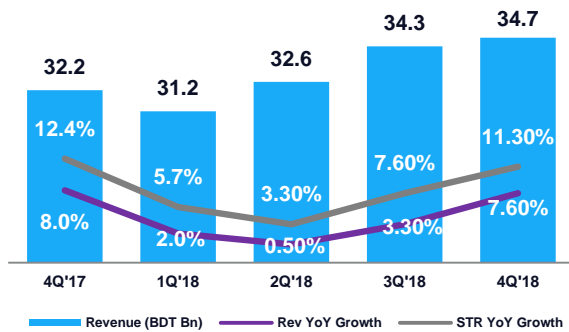


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## Financial Updates: Healthy topline growth with strong margins

GP reported revenue of BDT 34.7 Bn for the fourth quarter of 2018, a 7.6% growth from the same period last year. Normalizing contract change impact, the total revenue growth is reported at 3.4% YoY. Subscription and traffic revenue excluding interconnection grew by 2.7 Bn, driven by growth in voice revenue of 2.5 Bn and data revenue of 1.4 Bn. STR grew by 12.2% YoY on a normalized basis.

Voice revenue grew by 11.9% with 22.5% growth in voice APPM. We also saw lower device and lower interconnect revenue due to lowered IC rate of BDT 0.8 Bn along with de-growth in international incoming minutes.



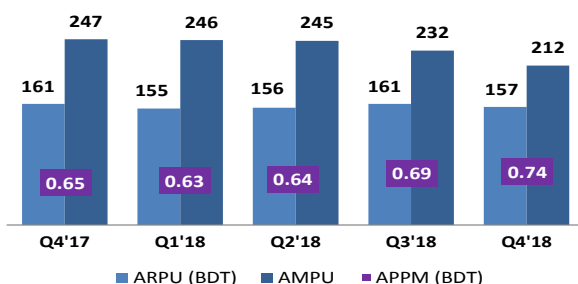
Data revenue grew by 25.1% (YoY), driven by 18.9% increase in data users and 80.4% growth in data volume partly offset by 30.6% reduction in APPMB, caused by competitive offers throughout the year.

Data ARPU grew 25.1% YoY while AMBPU was 51.7% higher, positively contributing to data revenue growth. 2GB @ BDT 38 data pack had a positive effect of BDT 17 million per day due to high uptake.

### Service ARPU, AMPU, APPM and AMBPU

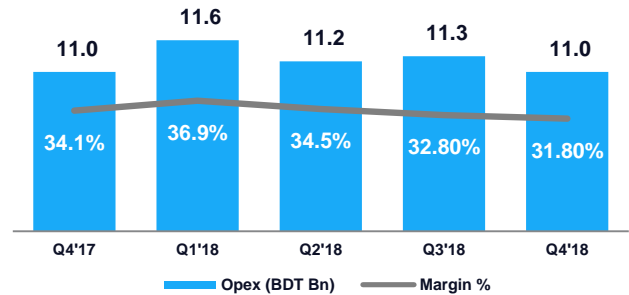
Service ARPU decreased by 2.0% (YoY) mainly due to negative impact from VAS and Interconnection revenue. Voice ARPU grew by 0.3% YoY along with 22.5% growth in voice APPM, partly offset by 18.2% decline in AMPU. There was also lower interconnection ARPU due to lower international incoming minutes and revised IC rate.

Data ARPU grew by 3.6% QoQ, along with 6.5% growth in AMBPU (1,224 MB vs 1,149 MB) partly offset by 2.8% de-growth in APPMB driven by higher usage and 4G sim replacement drive.

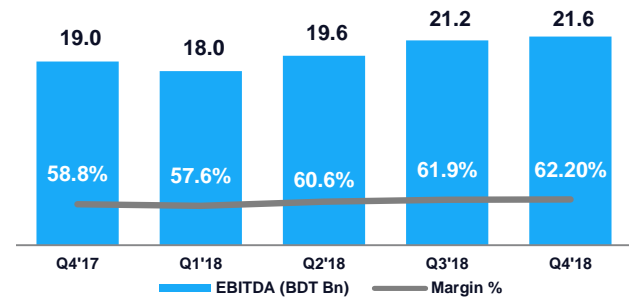


## BDT 2.4 Bn normalized EBITDA uplift with strong margins

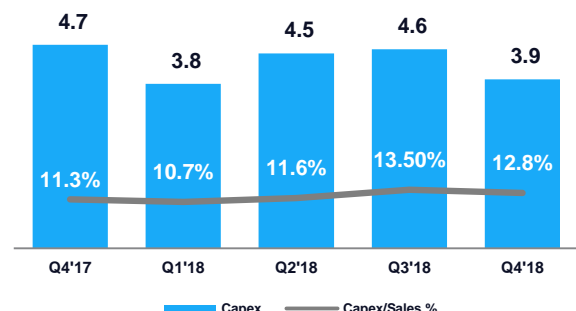
In the fourth quarter opex grew by 1.3% from the same period last year to 11.04 billion. Gross profit grew by 2.7 billion, driven by the uplift from both voice and data revenue, partially offset by lower contribution from interconnection and VAS.



EBITDA (before other items) grew by BDT 2.6 Bn with a margin of 62.3%, registering for 1.8% QoQ growth and 13.8% YoY growth. Normalized EBITDA growth YoY is BDT 2.3 Bn with 60.5% margin.



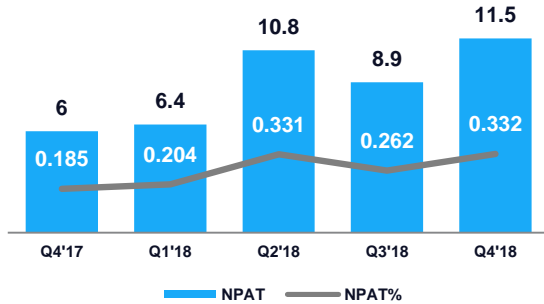
In the fourth quarter of 2018 Grameenphone invested BDT 3.9 Bn in the rollout of 2G, 3G and LTE sites, capacity enhancement and network & IT modernization for future business. Capex to sales ratio was 12.8%. During the quarter, we added 404 2G, 497 3G and 429 4G sites. YTD total number of 2G and 3G sites stands at 14,521 and 14,687 respectively.



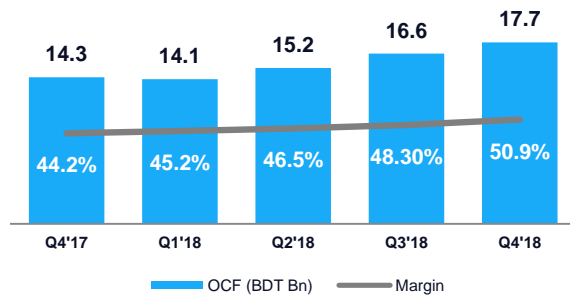


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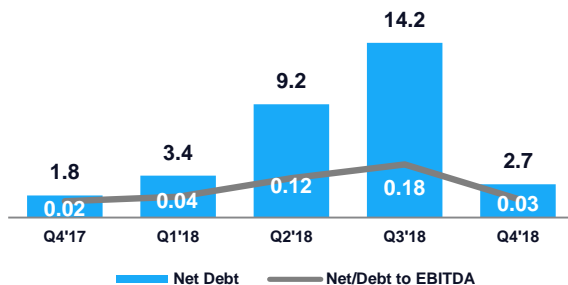
Net profit after tax for the quarter was BDT 9.1 Bn, a 51.8% growth from same period last year. Profitability margin is 26.1%.



Operating cash flow (EBITDA minus Capex) for the quarter stood at BDT 17.7 Bn with margin of 50.9%. Higher cash flow of 3.4 Bn resulted from lower capex and higher EBITDA.



Grameenphone's total assets at the end of 2018 stands at BDT 138.7 Bn. Net debt to EBITDA stands at 0.03.



### IFRS 15 Impact:

With effect from 1 January 2018, GP has adopted IFRS 15 Revenue from Contracts with Customers using modified retrospective approach. During the fourth quarter, opex increased by BDT 51 Mn, driven by higher sim subsidy and commission.

BDT Million	IFRS 15	IAS 18	Delta
<b>Revenue</b>	34,738	34,738	0
<b>Opex</b>	11,095	11,040	55
<b>EBITDA</b>	21,602	21,625	-23
<b>EBITDA Margin</b>	62.2%	62.3%	-0.07pp
<b>Profit Before Tax</b>	15,776	15,799	-23
<b>Profit After Tax</b>	8,892	8,944	-53

### Regulatory Update:

#### SMP Regulations

On 14 Nov'18, BTRC published the SMP regulation which determines SMP operators in Telecom sector (MNO, ISP, NTTN, Tower Co. ICX, IGW etc.). On 4 Dec'18, we sent a letter to BTRC requesting for industry consultation. BTRC is working on formulating rules for SMP operators.

#### BTRC Audit

On 17 Dec'18, BTRC invited GP and the Auditor in a tri-party meeting to discuss selected areas of findings. The next course of actions will be decided in the upcoming Commission meeting. We are expecting a few more discussions leading to the closure of this audit.

#### Tower Sharing License

4 licenses were awarded on 1<sup>st</sup> Nov'18. The industry is in dialogue with BTRC for a smooth transition. GP is running commercial negotiations with licensees.

#### Quality of Service

On 11 Nov '18, BTRC has made the QoS guidelines public on their website. QoS parameters have been set for only MNOs, PSTN and Broadband service providers; no parameters have been set for NTTN operators as requested. A letter with our concerns was sent to BTRC on 10 Dec'18, requesting to re-evaluate.