



Grameenphone Ltd.: C-31531(652)/96 3rd Quarter 2019 Business Highlights

Solid topline growth in a very challenging business environment

Grameenphone Ltd. (GP) reported 6.6% (YoY) total revenue growth and 6.7% (YoY) subscription & traffic revenue (excluding interconnection) growth. Data revenue grew by 17.3% (YoY) while voice revenue grew by 3.9% (YoY) for the period. Total subscriber increased by 0.4 Mn (QoQ) along with 0.9 Mn (QoQ) growth in data users. YoY normalized EBITDA uplift of BDT 1.0 Bn driven by higher gross profit. NPAT for the quarter was BDT 7.3 Bn with adverse impact from one-offs. Higher operating cash flow of BDT 2.0 Bn as a result of higher EBITDA and lower CAPEX.

BDT Million	Q3 2019	Q2 2019	Q-Q	Y-Y
Subscription & Traffic Revenue	34,153	33,880	0.8%	6.7%
Service Revenue*	35,837	35,560	0.8%	5.8%
Total Revenue	36,593	36,038	1.5%	6.6%
Operating Profit	17,561	17,054	3.0%	14.3%
Opex	11,673	11,823	2.1%	-1.3%
Opex Margin	31.9%	32.8%	-0.9pp	-1.4pp
EBITDA**	22,603	22,109	7.3%	2.2%
EBITDA Margin****	61.8%	61.4%	0.4pp	0.4pp
Profit After Tax	7,269	9,553	-23.9%	-13.8%
Capex	2,077	3,758	-44.7%	-55.2%
Ops Cash Flow***	20,526	18,350	11.9%	24.9%
OCF Margin	56.1%	51.0%	5.1pp	8.2pp
EPS (BDT)	5.38	7.07	-23.9%	-13.8%

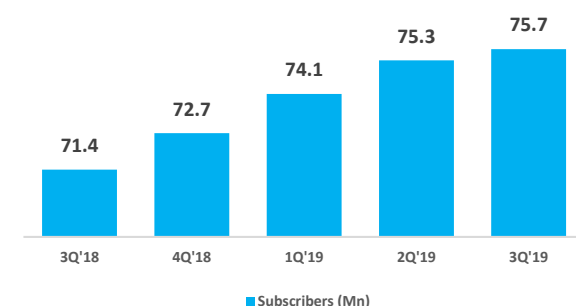
*Includes interconnection **Before other items ***EBITDA minus CAPEX
****Normalized

Grameenphone experienced a strong business performance in the third quarter of 2019 despite challenging interventions from the regulatory environment, impact from changes in macro economic factors as well as adverse impact from seasonality.

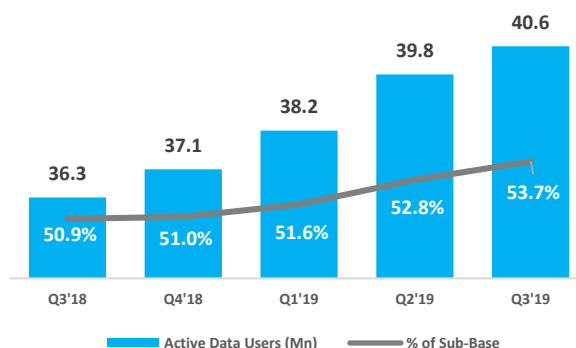
A restriction on issuing NOCs by the regulator impacted our ability to launch new products or campaigns. We faced a prolonged rainy season followed by floods this quarter, which also negatively impacted Eid holidays. However, we saw a big uptake of data usage during Eid, shifting from traditional voice usage.

Grameenphone gained 0.4 million new customers in the third quarter, ending the period with 75.7 million subscribers, registering a 6.0% growth from the same period last year. We ended the quarter with 16.3% churn rate. 54% of our total subscriber base are now using our internet services.

In order to protect GA market share, GP increased startup commission in the post 200Tk SIM tax period. Competition continued aggressive start-up commission & trade campaigns.



In this quarter, we started to experience the diminishing advantage of the unified floor tariff introduced in Q3'18. We experienced a 3.9% YoY growth in voice revenue driven by growth in usage and subscribers.



The number of data subscribers increased by 4.3 million to 40.6 Mn, leading to a 11.8% growth from the same period last year. We gained 0.9 million data users this quarter, registering a 2.2% growth QoQ.

APPMB remained steady compared to last quarter at 0.04 while data ARPU grew by 4.5% QoQ and 3.3% from the same period last year.

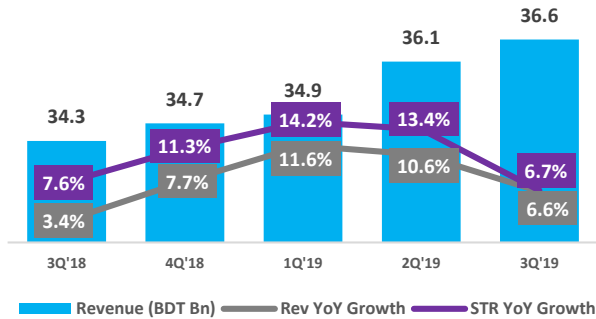
At the end of the quarter we reported 11.0 million 4G users. With the addition of 1812 4G sites, we now cover 69% of the population with our 4G network.



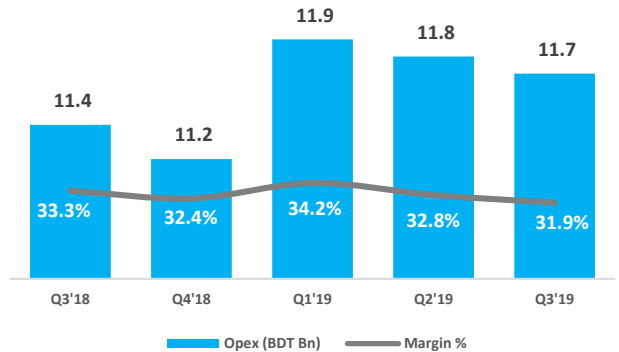
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Financial Updates: Solid topline growth with strong margins

Grameenphone reported revenues of BDT 36.6 Bn, a 6.5% growth from the same period last year. Subscription and traffic revenue excluding interconnection grew by 6.7%, driven by growth in voice revenue of 0.9 Bn and growth in data revenue of 1.2 Bn.



BDT 1.0 Bn normalized EBITDA uplift driven by gross profit



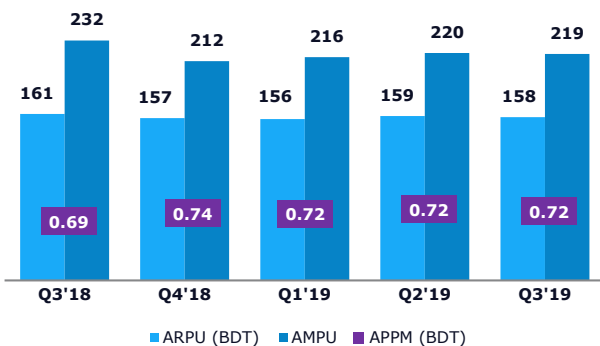
EBITDA growth in combination of higher gross profit of 1.6 Bn and higher opex of 0.6 Bn.

Voice revenue growth was driven by 9.0% growth in APPM, partly offset by 4.7% lower outgoing minutes. Voice ARPU declined by 3.2% YoY.

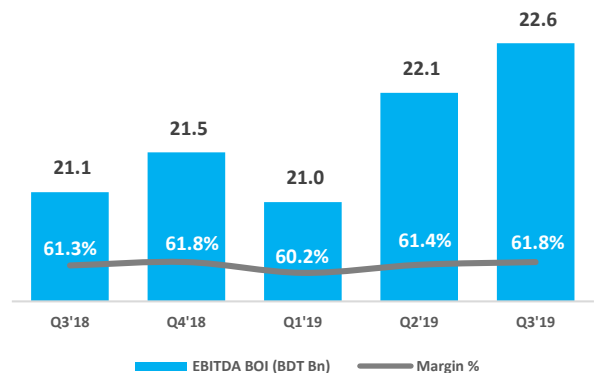
Data revenue grew by 17.3% from last year, driven by 11.8% increase in data users and 3.3% growth in data ARPU. Data usage per user increased by 50.1% from the same period last year.

Service ARPU, AMPU, APPM and AMBPU

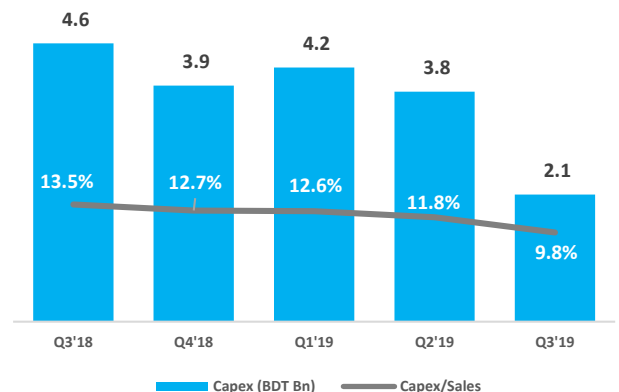
Service ARPU declined by 1.5% (YoY) driven by higher contribution from voice and data, partly offset by lower contribution from interconnect revenues. There was a 10.1% fall in interconnect revenues.



In the third quarter opex increased by 5.4% from last year to BDT 11.9 Bn, mainly due to higher commission and regulatory expenses. Opex remains one of our key focus areas. Operating profit grew by 1.7 billion, driven by the uplift from both voice and data revenue, partially offset by lower contribution from interconnection.



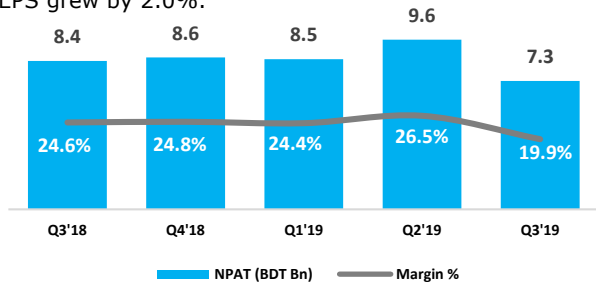
Grameenphone invested BDT 2.1 Bn, less than what it had planned to, due to the halt on NOCs by the regulator. During the quarter we added pre-approved sites to our 4G network, reaching 9307 total 4G/LTE sites. The total number of sites stand at 16,389.



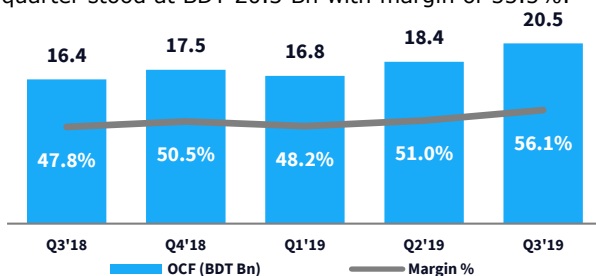


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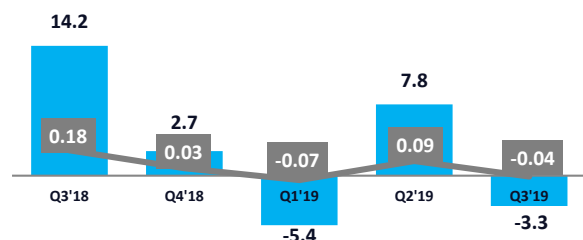
Earnings for the quarter impacted by one-offs while YTD EPS grew by 2.0%.



Operating cash flow (EBITDA minus Capex) for the quarter stood at BDT 20.3 Bn with margin of 55.5%.



Grameenphone's assets at the end of the quarter stands at 146.8 Bn. Net debt to EBITDA stands at -0.04.



Regulatory Updates:

BTRC Audit

- On 04 July 2019, keeping aside the arbitration proceedings BTRC directed IIG operators to reduce GP's bandwidth capacity by 30% for not making the demanded payment which was withdrawn on 17 July 2019. On 22 July 2019, BTRC imposed operational restrictions through stopping No Objection Certificates (NOCs) for approvals on products and services and equipment import. In order to resolve the dispute, on 30 July 2019, two arbitration applications were moved by GP before the Hon'ble High Court Division (HCD) for appointment of BTRC arbitrator and for injunction against the suspension of approval & NOCs by the BTRC. The HCD is yet to provide a decision.
- In the meantime, on 14 August 2019, a proposal letter has been sent to BTRC for withdrawal of earlier demand based on 2011 audit and discontinuation of earlier case to remove any perceived road block to arbitration on current audit demand. The letter remains unanswered.
- On 26 August 2019, GP filed a Title Suit against the Audit Demand and on 28 August 2019 GP moved an application for injunction to the District Court with the prayer to stay the suspension of NOCs and to restrain BTRC from taking any steps based on, or pursuant to, or for the realization or enforcement of the demand which was rejected by the District Court. Against the rejection order, on 17 September 2019, GP filed a civil appeal before the HCD.

- On 5 September 2019, BTRC issued a show cause notice to GP as to why GP's 2G & 3G licenses should not be cancelled. GP responded timely to the show cause notice on 3 October 2019.
- GP has been continuing engagement with the authorities with a view to find a transparent and amicable resolution. On 18 September 2019, the Finance Minister in the presence of MoPT, NBR Chairman, BTRC Chairman and representatives of GP, got involved to pursue a constructive path towards resolving the issue. It was expressed that BTRC would withdraw the show Cause and impositions to resume normal operations immediately and that GP would suspend its legal efforts to facilitate a transparent process towards an amicable solution. Despite these constructive efforts BTRC had not lifted any of its operational impositions and the show cause notice.
- On 17 October, 2019, based on the civil appeal filed earlier by GP, HCD has passed an order restraining BTRC, for a period of two months, from taking any steps on the basis of, or pursuant to, or for the realization of or enforcement of the demand dated 02 April 2019. The HCD also stayed, for a period of two months, operation of the BTRC letter dated 22 July, 2019 (regarding suspension of NOC for importation of equipment/software and suspension of tariff/service package etc. approvals). The matter has been fixed for hearing on 05 November 2019.

Tower Co. Licensing Regime

- GP is currently assessing the possibility of re-opening of the existing Tower Writ and also the possibility of challenging the process and the BTRC proposed agreement template.
- GP has concluded a Service Level Agreement (SLA) with edotco in July 2019 and in compliance with the TSG, edotco has submitted the negotiated SLA to BTRC for vetting. Despite many requests and two months having passed, BTRC is yet to vet the SLA.
- BTRC has been trying to impose a Master Service Agreement in the name of SLA. Heavy debate took place on this topic in the meeting of the MNOs with the ICT advisor on 15 July 2019. Thereafter, BTRC started the consultation process again and asked all MNOs to provide feedback on the draft agreement prepared by BTRC by 20 Aug 2019. GP submitted its feedback and asked BTRC to set the minimum SLA.
- On 29 Aug 2019, through a letter, BTRC alleged that due to non-cooperation from MNOs, implementation of the TSG has been delayed. It asked the tower operators and MNOs to jointly prepare a full-fledged agreement and submit to BTRC by 5 Sept 2019. Denying allegations, GP responded to this letter on 5 Sept 2019 and requested BTRC to vet the SLA submitted by edotco.
- On 08 Sept 2019, an application was filed in the existing writ seeking direction on BTRC to allow GP to build 279 critical sites. Hearing of the application will take place as per accommodation of the court.
- Sending a draft Master Service Level Agreement (MSLA) to MNOs and Tower Cos, BTRC invited them for a meeting on 6 Oct 2019 where BTRC shared a complete MSLA including commercial terms. GP reiterated its principle position and sent a letter conveying its position to BTRC on the same day.
- The meeting continued on 7, 9 and 10 Oct 2019, where GP did not participate to comply with the relevant laws. In that meeting, SLA was agreed upon by all parties and with respect to general terms & conditions, MNOs and Tower cos. could not reach an agreement.