

## Grameenphone Ltd.: 3rd Quarter 2015 Business Highlights

### Gaining momentum in performance recovery

*GP gained momentum of performance revival in continuation of its recovery during the last quarter. Revenue grew up by 3.3% (YoY), with QoQ growth of 0.7%. Service revenue grew by 3.9% (excl. IC) with contribution from data and VAS. Controlled opex management contributed to improved EBITDA (normalized with one off item). Higher depreciation and one off item impacted earnings to drop by 23%.*

### Scorecard

Revenue Growth (YoY)	3.3%
Opex to Sales	38.4%
EBITDA Margin (boi)	50.8%
Capex to Sales	17.3%
OCF Margin	33.5%
EPS (BDT)	3.07

### Executive Summary

Grameenphone Ltd. reported revenue of BDT 26.5 Bn for the 3rd quarter of 2015, up 3.3% from the same period last year. Service revenue (excluding IC) grew by 3.9% (YoY) along with 4.2% growth in device and other revenues. Growth in service revenue was mainly driven by data and VAS with declining voice revenue resulting out of pricing pressure. Data continues to perform well with BDT 2.3 Bn revenue for the quarter. Language It grew by 68% (YoY) and 14.6% (QoQ). Normalizing one-time appeal payment related to the SIM replacement tax dispute, the top line grew by 3.3% during the quarter.

On an underlying basis, GP managed to generate efficiency in OPEX which led to an improved EBITDA of BDT 14.5 Bn and its corresponding margin of 54.2%. However, due to the one off item, opex increased by 7.4% to BDT 10.2 Bn. This increased the OPEX margin to 38.4% resulting in BDT 13.5 Bn EBITDA and 50.8% margin. Ongoing investment for strengthening network superiority and IT initiatives resulted in BDT 4.6 Bn of CAPEX. Despite higher CAPEX the OCF stood at a healthy figure of BDT 8.9 Bn and margin of 33.5%. Again on an underlying basis, higher depreciation impacted PAT to drop by 5.5% and stood at BDT 5.1 Bn. EPS for the quarter was BDT 3.07.

During the quarter GP added 2.4 Mn new subscribers. With this the quarter end base stood at 55.5 Mn. This constitutes 10.4% subscription growth (YoY) with stable SIM market share of 42.1% (as of August'15). Data subscriber no stood at 15.2 Mn with encouraging volume growth.

During the quarter, the telecom regulator initiated directive of online verification of NID for SIM registration using biometric machines. Draft Mobile Number Portability (MNP) licensing guideline has been approved by the Government as well.

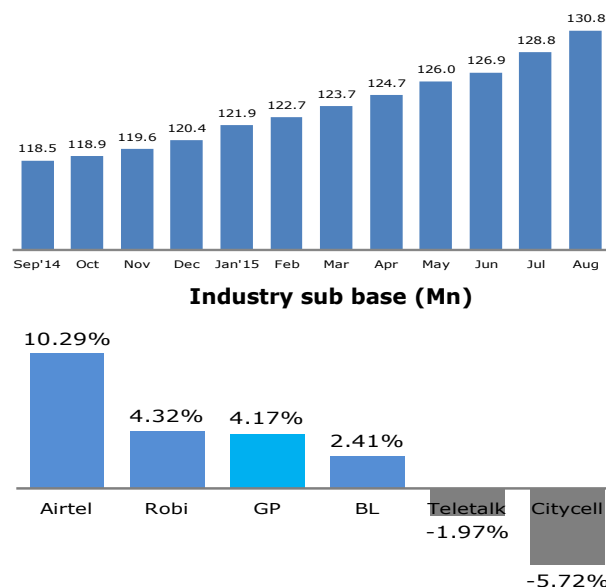
Macroeconomic indicators of the country point to vibrancy and resilience compared to other frontier countries. This is also evident from the recent upward growth forecast revision by IMF to 6.8% for the fiscal year 2015-16. Local currency Taka still holds strong against the US Dollar and is to be closely monitored for any challenges arising out of devaluation. September'15 inflation rose to 6.2% with reserve hitting USD 26.4Bn from higher remittance before Eid festival.

### Industry experiencing healthy acquisition and competitive offers surrounding internet

Industry subscriber base stood at 130.8 Mn on August'15 end with net subscriber addition of 5.0 Mn during the last 3 months. This represents 3.9% growth from May 2015. Net add share for the mentioned period by top 4 operators stood at GP (47.3%), Robi (17.6%), Airtel (13.4%) and Banglalink (21.1%).

During this period, no new price point on voice was introduced in the industry. However, the price intensity is still prevalent in this segment. Data segment experienced intensity of price pressure with competitors offering lower price or giving away higher volume at the same price.

With 10.4% YoY growth in subscriber base the SIM penetration after August'15 is estimated at 77.5%. Considering multiple SIM issue, real penetration is estimated to be 49.8%.



## Improved revenue performance with healthy margin (underlying) developments

### Revenue & Subscriber

GP registered BDT 26.5 Bn revenues for the 3<sup>rd</sup> quarter of 2015. Service revenue (excl. IC) grew by 3.9% (YoY), with significant contribution from data and VAS. The segments grew by 68% and 35% respectively. Data also experienced encouraging 14.6% (QoQ) growth. Increased 3G coverage footprint, campaigns over digital & social media and segmented micro campaigns are the main drivers of it. Voice revenue continue to decline due to the stress from competitive pricing. Voice revenue from own subscriptions fell by 3.1% (YoY) against 10.6% growth (YoY) in outgoing minutes

Interconnection revenue declined by 0.8% (YoY). The quarter experienced 1.5% (YoY) growth in device and 6.1 (YoY) growth in other revenues.

During the quarter, GP continued with its clear focus on bringing in simplified customer centric offers and services. Various offers with the objective of increasing revenue generating base and data up-selling were launched. GP also concentrated on strengthening its data positioning with the expansion of its 3G coverage foot print. GP currently has widest geographical as well population coverage in the industry. GP also launched EASYNET; a platform of helping non data users to take their first step in the world of internet. To remove the barrier of affordability, lower denominated internet scratch cards were introduced. Weekly and monthly social packs including facebook, messenger & comoyo were offered as well.

GP acquired 2.4 million new subscriptions, taking the year-end subscription base to 55.5 million. This constitutes 10.4% subscription growth (YoY) with SIM market share of 42.1% (as of August'15). Subscribers grew by 4.5% QoQ with 43.8% contribution of the last 3 months industry net addition. Data subscriber no stood at 15.2 Mn with 50% (YoY) and 13.5% (QoQ) growth with encouraging volume growth.

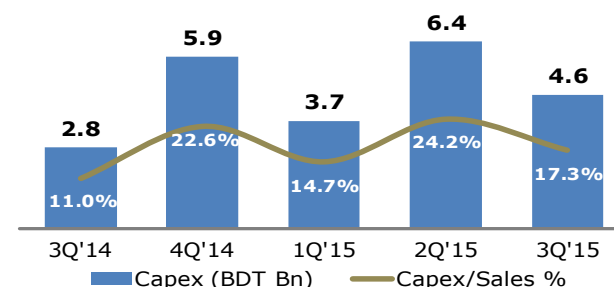
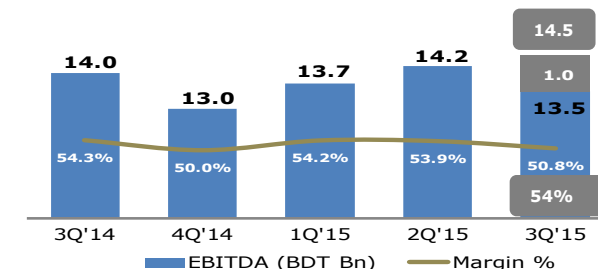
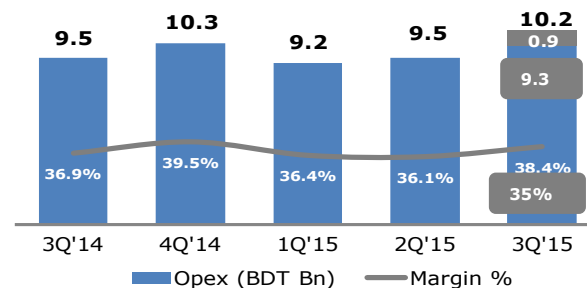
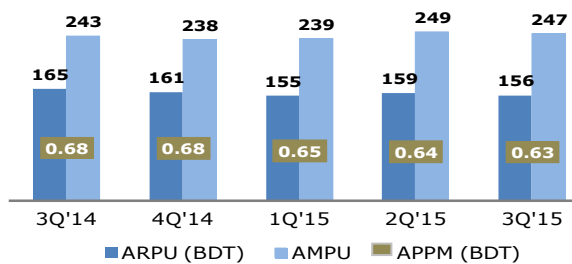
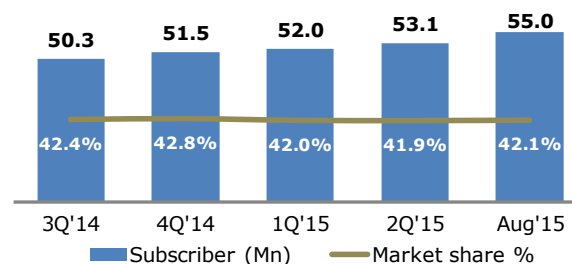
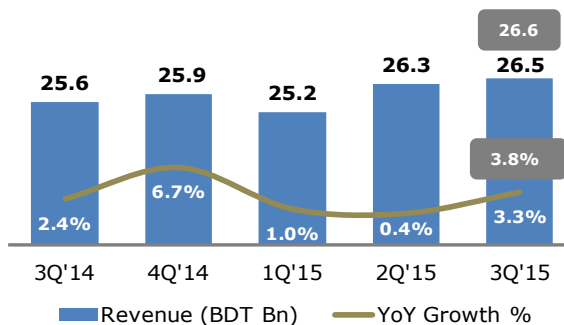
During the quarter, GP experienced improvement in its revenue generating base infused by simplified segmented offers and higher subscriber addition. Outgoing minutes of usage saw healthy improvement. Data and VAS had healthy contribution to the top line. However, intense price pressure resulted in ARPU fall. ARPU fell by 5.7% (YoY) with improvement in AMPU amidst 10.4% (YoY) subscriber growth.

### Controlled Opex contributing to improved EBITDA

Efficiency in opex management resulted in BDT 9.3 Bn of opex. On an underlying basis it decreased by 1.7% (YoY). Lower subsidy due to SIM tax reduction to BDT 100 with partial offset by higher SIM sales contributed to this. Lower advertising & promotion resulting from efficiency and simplified market spending also helped.

Normalized EBITDA (before other items) increased by BDT 510 Mn comprising of 3.7% (YoY) growth. EBITDA margin stood at 54.2%, The reported EBITDA margin was 50.8%.

GP invested BDT 4.6 Bn (CAPEX excluding license fees) mainly for expansion of both 3G and 2G coverage along with capacity enhancement for catering higher volume of data and voice. This has taken the Capex/sales to 17.3%. GP rolled out 3G sites extensively taking the geographical coverage to 477 upazillas.



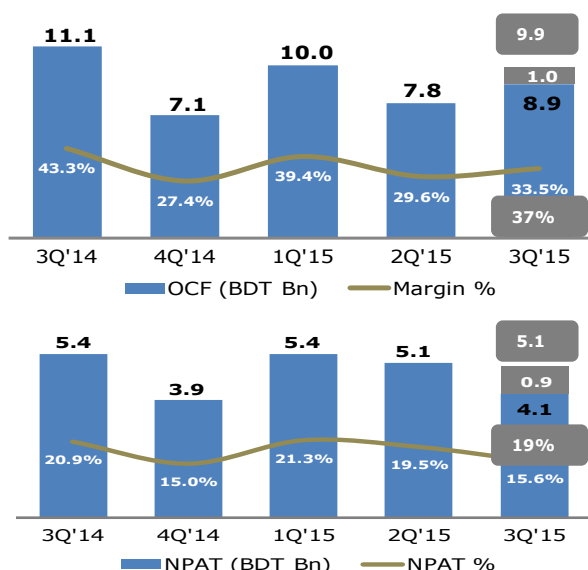
## Cash flow and profitability

Operating cash flow (EBITDA minus Capex) for the quarter stood at BDT 8.9 Bn despite higher capex. Corresponding margin stood at 33.5%. Normalized margin is 37% with BDT 9.9 Bn of OCF.

On reported basis, the net profit decreased by BDT 1.2 Bn (22.5%) from the corresponding period last year and landed at BDT 4.1 Bn. Higher depreciation & amortization due to higher investment impacted earnings. Profitability margin stood at 15.6%. However if we normalize it, the NPAT stands at BDT 5.1 Bn with marginal decline of 5.5% from last year.

## Balance Sheet & Debt

Total assets at the end of quarter stood at BDT 135.8 Bn. Net debt to EBITDA stands 0.55 and debt to equity ratio equates to 1.15.



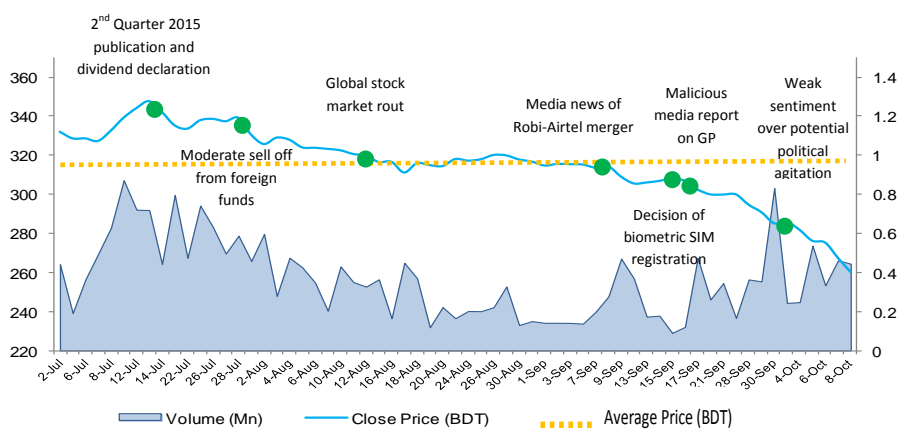
## GP in Dhaka Stock Exchange

From Jun'15, GP price decreased by BDT 69.60 (-21.1%) with closing price of BDT 260.10 on 8 October 2015.

Price range (High - Low) was BDT 349.8 - 260.1 & turnover volume range (High - Low) was 0.08 - 0.87 (in Mn). Average daily turnover was BDT 116.7 Mn with last twelve months (LTM) trailing P/E (8 Oct'15) of 17.83.

GP's market capitalization in DSE on 8 Oct'15 was USD 4.5 Bn, representing 10.7% of total market.

Share register comprises of 68% institute and 32% retail.



## Regulatory Highlights

### Online verification of NID for SIM registration

At present, SIM sale is made filling-up Subscriber Registration Form (SAF) with furnishing copy of National Identity (NID) card and photograph. New SIM sale would be subject to online verification with National Identity Database (NID) with effect from 16 December 2015. Re-verification of the existing base is also to be initiated. From media reports we came to know that April 2016 has been fixed as the deadline. Necessary alignment and preparation for implementation is on process in coordination among Ministry, BTRC, EC and AMTOB

### Mobile Number Portability

Draft MNP Licensing guideline approved by the Government. BTRC is expected to issue a license through an auction process keeping MNOs and its shareholders out of scope. It is expected to start from 1<sup>st</sup> quarter 2016 as per media reports.

### NBR's claim against replacement SIM

While administrative solution was ongoing, GP received a demand notice from National Board of Revenue. Gp filed an appeal before the Custom, Excise and VAT Appellate Tribunal. GP is still seeking resolution through administrative process

### BTRC Audit

BTRC has taken initiative to undertake audit of system and services for all MNOs. GP will be audited in Phase-1 and is expected to start soon.