



Dialog Axiata PLC

Sri Lanka's Premier Connectivity Provider

Q4 2016 Results

13th February 2017

an axiata company

Dialog Group Performance

Dialog Axiata Company Performance

Subsidiary Performance



Dialog Group Performance Highlights – FY 2016

Delivered Strong YTD Performance Despite Challenging Operating Environment; Q4 Performance Impacted by the Introduction of VAT in November 2016

Group concluded FY 2016 delivering growth across all key parameters fuelled by aggressive market capture & cost focus

- *FY 2016 Group Revenue at Rs86.7Bn, grew 17% YTD*
- *FY 2016 Group EBITDA at Rs29.2Bn, grew 23% YTD; Group EBITDA Margin at 33.7%, growth of 1.5pp YTD*
- *FY 2016 Group PAT grew 74% YTD to reach Rs9.0Bn*

Q4 2016 featured the re-introduction of Value Added Tax (VAT) which had a negative impact on Q4 Performance

- *Q4 Group Revenue at Rs22.8Bn, growth moderated to 5% QoQ*
- *Q4 Group EBITDA at Rs7.4Bn, declined by 4% QoQ*
- *Q4 Group PAT at Rs1.3Bn declined by 56% QoQ on the back of lower EBITDA combined with higher depreciation and unrealised (non cash) Translational forex losses*

Majority of Investments focused towards Broadband and Data Services

- *FY 2016 Capex of Rs23.2Bn – up 18% YTD*

Subsidiaries Continued to Capture market share and Delivered Strong Top Line Growth

- *Dialog Broadband Networks (DBN) – Fixed Broadband - Revenue growth of 28% YTD & 7% QoQ*
- *Dialog Television (DTV) - Revenue growth of 5% both YTD & QoQ*

Aggressive Subscriber Growth

- *Mobile subscriber base of 11.8Mn – up by 9% YTD*
- *TV subscriber base of 839k with over 189k net adds during the year*

Progressive Dividend Payout - 35% DPO recommended for shareholder approval

- *Cash dividend of Thirty Nine Cents (Rs0.39) per share totaling to Rs3.2Bn*

Introduction of 15% VAT effective 01 November 2016 and the proposed increase in Telecommunication Levy on internet services and introduction of SIM activation tax effective April 2017, expected to constrain customer consumption and hence Revenue growth achievable in the immediate after-math of these changes

Group Financial Summary

Strong Performance in FY 2016 Driven by Revenue Growth and Cost Efficiencies



Rs Mn	FY 2016	YTD	Q4 16	QoQ
Revenue	86,745	17%	22,775	5%
EBITDA	29,212	23%	7,422	-4%
PAT	9,041	74%	1,251	-56%
<i>EBITDA Margin</i>	33.7%	1.5pp	32.6%	-2.9pp
<i>PAT Margin</i>	10.4%	3.4pp	5.5%	-7.5pp
<i>ROIC</i>	15.4%	3.1pp	11.3%	-5.1pp

All key financial indicators improved significantly YTD with PAT growing 74% and ROIC improving by 3.1 percentage points

Q4 performance impacted by re-introduction of VAT which moderated revenue growth to 5% QoQ. Q4 Profitability further impacted by expansion in revenue linked direct costs and operating costs, increased depreciation and unrealized (non cash) translational forex losses

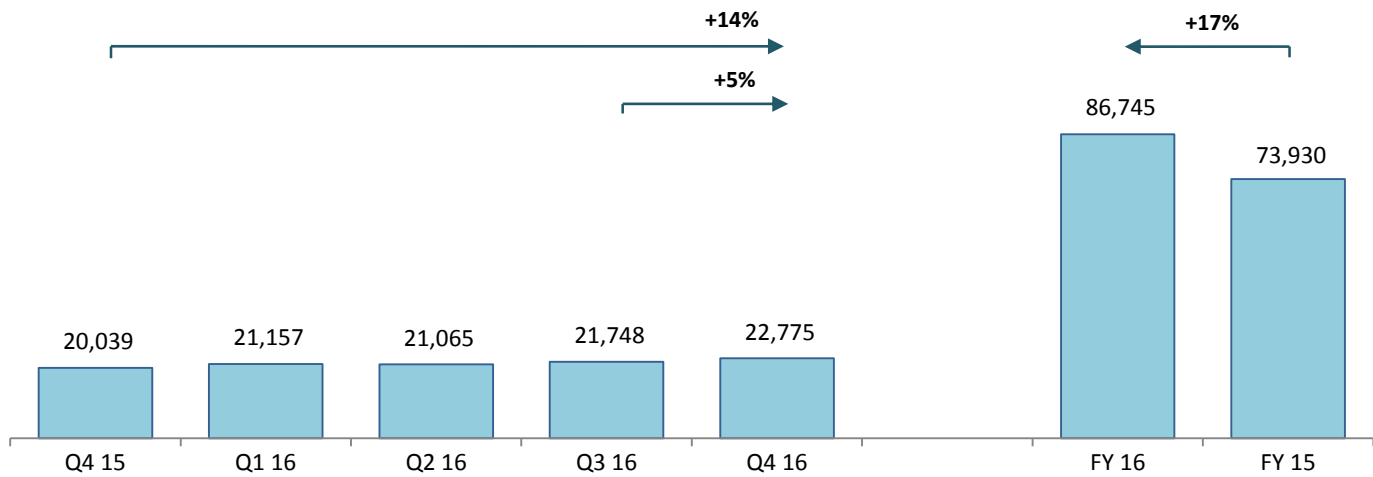


FY 2016 Group Revenue Grew 17% YTD

Mobile, Fixed and Television Businesses Driving YTD and QoQ Growth



Group Revenue (Rs Mn)

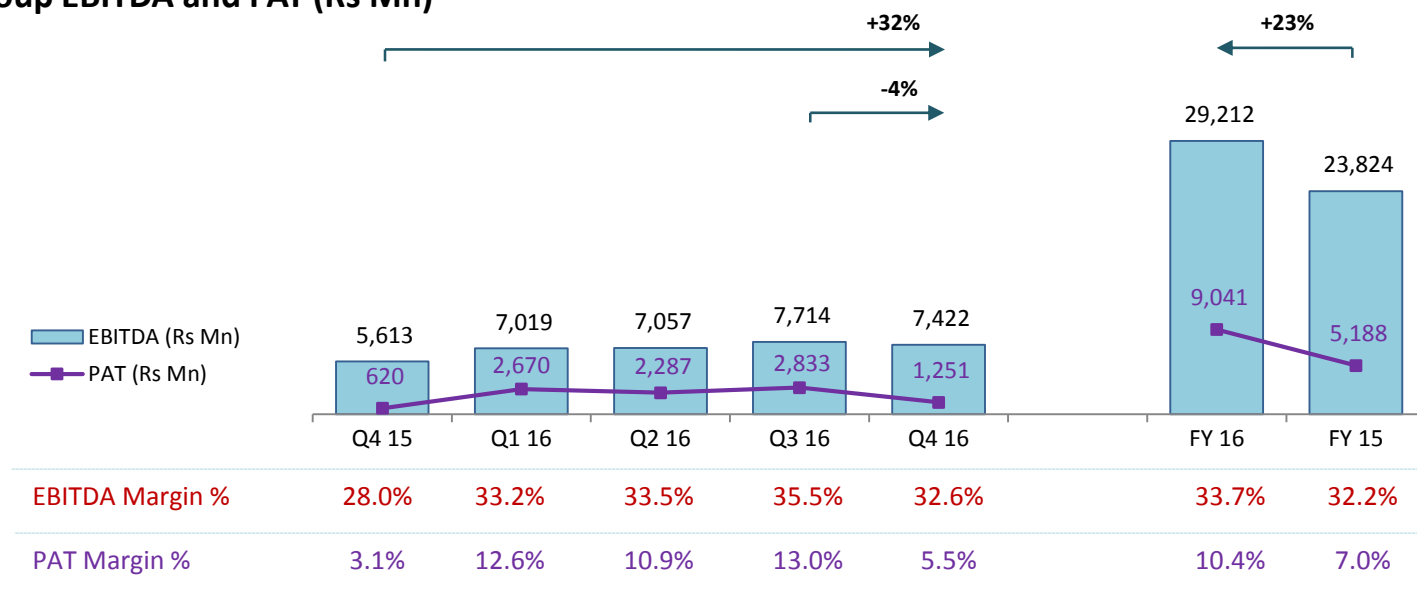


- Mobile Data** Revenue grew **52% YTD** and 8% QoQ driven by increased smartphone penetration and 4G usage
- Mobile Voice** Revenue grew 8% YTD however contracted by 1% QoQ due to drop in usage post re-implementation of VAT
- Fixed Business** Revenue grew by 33% YTD and 8% QoQ on the back of strong growth in **Home Broadband** LTE subscriber segment supported by wider LTE coverage and aggressive acquisition drives
- Television** Revenue Growth of 6% YTD and 5% QoQ underpinned by growth in Subscription revenue due to increased prepaid subscriber base
- International Revenue** growth was driven by increased International Hubbing revenue albeit termination volumes continued to decline due to substitution to OTT services with the growth in Smartphone penetration



FY 2016 Ended with PAT of Rs.9.0Bn; Profitability Improvement Underpinned by Growth in Revenue, Cost Efficiencies and Lower Forex Losses (Translational)

Group EBITDA and PAT (Rs Mn)



Cost as a % of Revenue	Q4 15	Q3 16	Q4 16	FY 16	FY 15
Total Group Cost	72.0%	64.5%	67.4%	66.3%	67.8%
Direct Expenses	28.5%	26.1%	27.8%	27.9%	28.8%
Sales & Marketing	15.6%	14.7%	15.0%	14.3%	13.6%
Network Cost*	11.3%	12.8%	12.9%	12.5%	13.1%
Staff Cost	9.9%	8.1%	8.1%	7.9%	8.5%
Bad debt	1.1%	0.2%	1.4%	1.3%	1.0%
Overheads	5.6%	2.6%	2.2%	2.4%	2.8%

*Network cost includes Frequency Cost earlier classified under Overheads

Significant improvement in YTD EBITDA underpinned by strong Revenue growth combined with continued focus on cost rescaling initiatives

Group PAT improved by 74% YTD in tandem with strong EBITDA performance and lower unrealised forex losses

However, Group PAT contracted by 56% QoQ due to lower EBITDA combined with increased depreciation and higher unrealised forex losses

Dialog Contributed Rs.31.7Bn to Government Revenue in FY 2016; up 15%

Dialog Group remitted a total of Rs31.7Bn to GoSL during the year ended 31st December 2016. Total remittances included direct taxes and levies as well as consumption taxes collected on behalf of the GoSL

Payments to GoSL - Composition

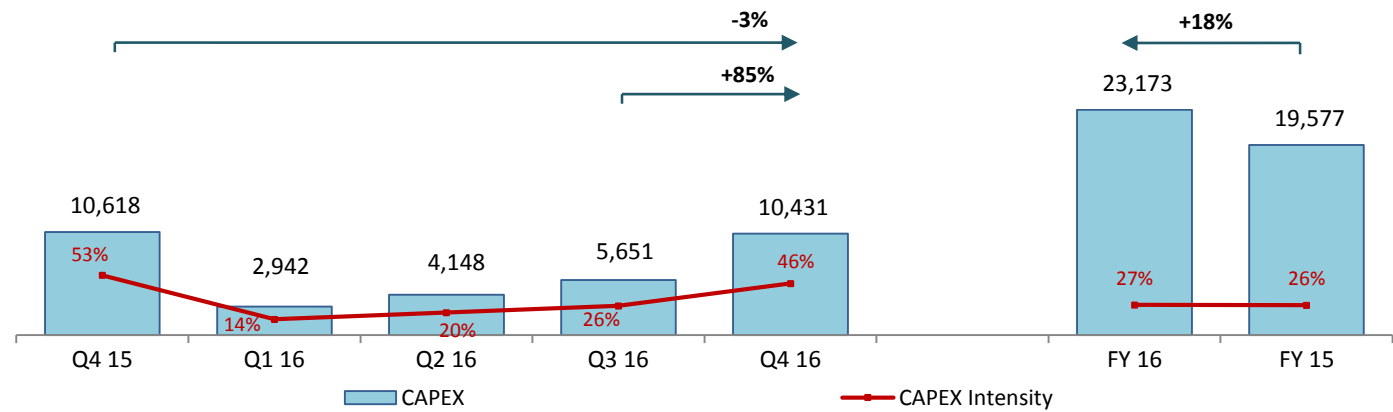
In Rs Mn	FY 2016	FY 2015
Direct Taxes, Fees & Levies (Note 1)	10,721	12,706
<i>Super Gain & One-Off Taxes</i>	<i>n.a.</i>	<i>2,047</i>
<i>Direct Taxes excluding Super Gain & One-Off Taxes</i>	<i>10,721</i>	<i>10,659</i>
Consumption Taxes collected on behalf of GoSL	20,996	14,859
<i>Telco Levy</i>	<i>13,452</i>	<i>11,746</i>
<i>VAT</i>	<i>3,466</i>	<i>105</i>
Total	31,717	27,565

Note 1: FY 2015 includes super gain tax of Rs1.8Bn and mobile operator levy of Rs250Mn

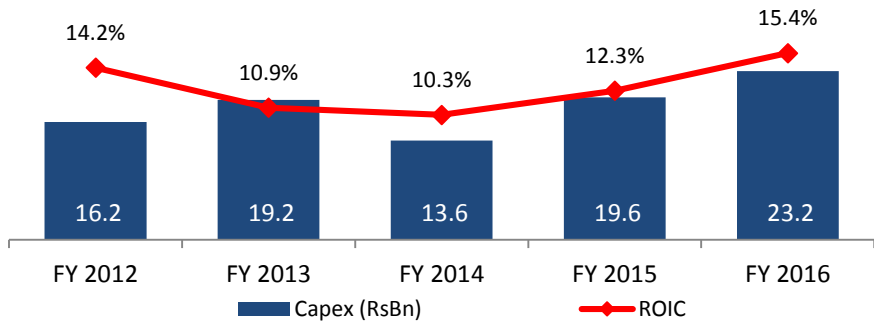
Focused Capex Investments to Further Strengthen the Group's Position in Sri Lanka's Broadband Sector : Rs23.2Bn Invested in FY 2016 – Up 18%



Capex (Rs Mn) / Capex Intensity (%)



ROIC Improved Significantly



FY 2016 Capex of Rs23.2Bn directed mainly towards investments in High-Speed Broadband infrastructure consisting of capacity upgrades and LTE focused coverage expansion;

Investment in Data Infrastructure includes:

- 3G Capacity and Coverage Expansion
- 4G capacity upgrades and coverage expansion

*Capex excluding CPE (Customer Premises Equipment) investments, capex for spectrum acquisition and license renewal

Dialog's Structurally Strong Balance Sheet Demonstrates the Group's Financial Strength with Net Debt to EBITDA Maintained Below 1.0x

(Rs Mn)

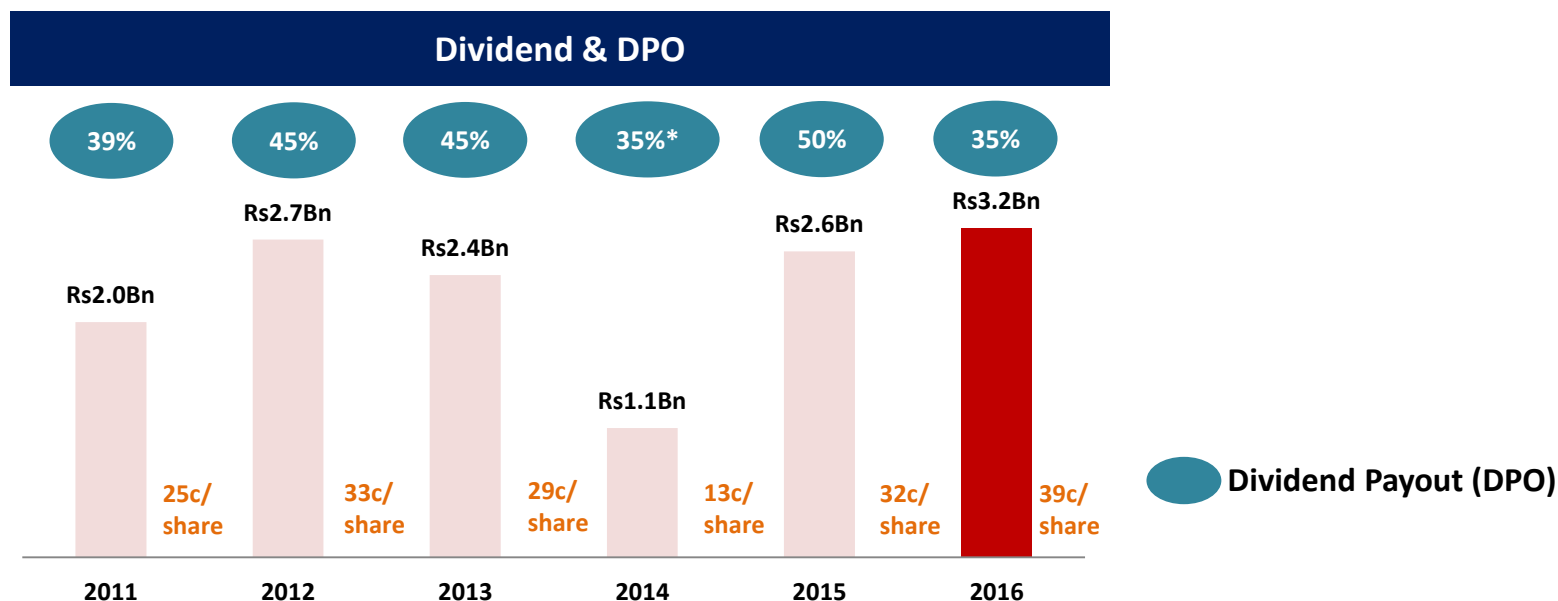
	31 Dec 16	30 Sep 16	31 Dec 15
Gross Debt	32,562	31,916	22,910
Net Debt	26,152	26,845	18,481
OFCF	83	4,874	-864
<i>Gross Debt / Equity (x)</i>	<i>0.60</i>	<i>0.61</i>	<i>0.48</i>
<i>Gross Debt/ EBITDA (x)</i>	<i>1.11</i>	<i>1.10</i>	<i>0.96</i>
<i>Net Debt/ EBITDA (x)</i>	<i>0.90</i>	<i>0.92</i>	<i>0.78</i>

Underpinned by relatively low gearing (Net Debt/EBITDA ratio of 0.9x), Dialog's structurally robust balance sheet demonstrates the Group's financial strength vis a vis capacity to drive business growth via timely and aggressive investment



Proposed Dividend – Rs.0.39 per share, Translates to a Payout of 35% and a Dividend Yield of 3.7%

- The Board of Directors of Dialog Axiata PLC resolved to propose a cash dividend to ordinary shareholders of Thirty Nine Cents (Rs0.39) per share totaling to Rs3.2Bn for approval by the Shareholders
- **Dividend payout increased on a per share basis from 32 cents in FY 2015 to 39 cents in FY 2016;**
 - ✓ Considering investment requirements to serve the nation's demand for Mobile, Fixed, Broadband and Digital Television services
 - ✓ **Dividend payout ratio of 35% of FY2016 Group Net Profits**
 - ✓ **Dividend yield of 3.7%** based on a closing share price of Rs10.5 as at 30th December 2016
- The dates of the AGM and the dividend payment will be notified in due course



* DPO on one-off tax adjusted Profit in FY 2014

Dialog Group Performance

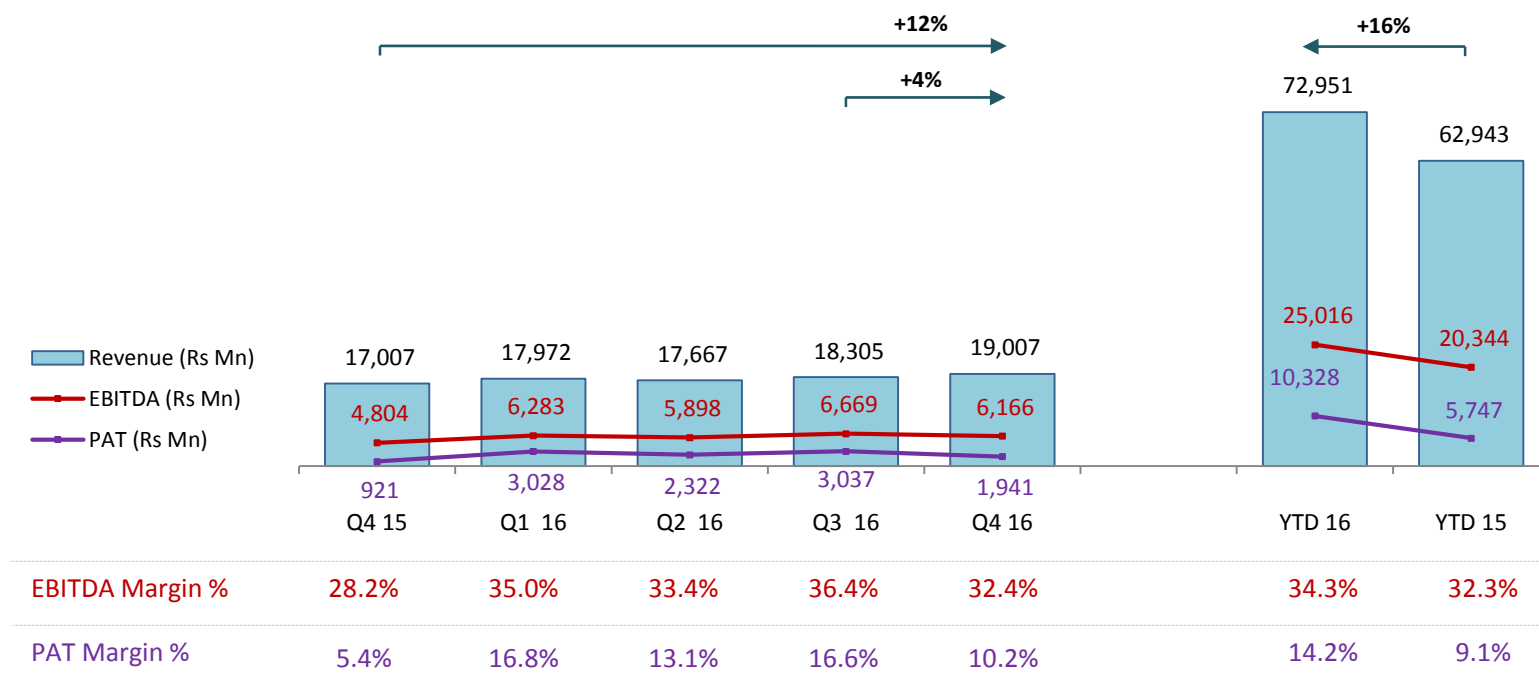
Dialog Axiata Company Performance

Subsidiary Performance



Dialog Axiata PLC (Company)

FY 2016; 16% Growth in Revenue and Positive Cost Performance Driving 78% Growth in YTD Profitability; QoQ Performance Impacted by Re-Introduction of VAT



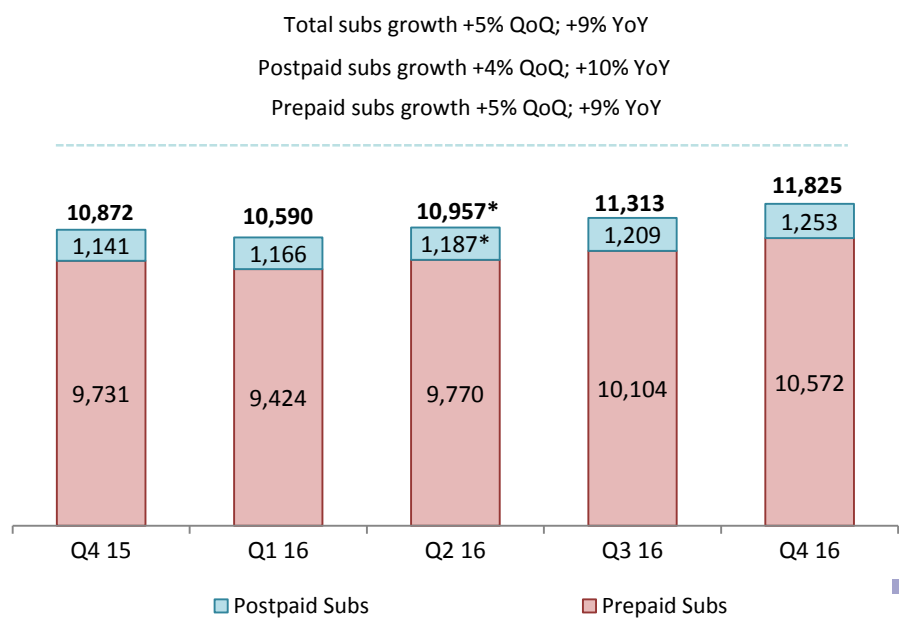
YTD Revenue was driven by growth in Data, Voice and VAS Revenues whilst QoQ Revenue growth was underpinned by growth in Data and device sales

Strong YTD EBITDA performance was driven by Revenue growth and positive Cost performance; PAT further improved due to reduction in unrealised forex losses

QoQ EBITDA contracted by 8% on the back of increase in revenue linked and operating costs while Q4 PAT was further diluted by higher depreciation and unrealised forex losses

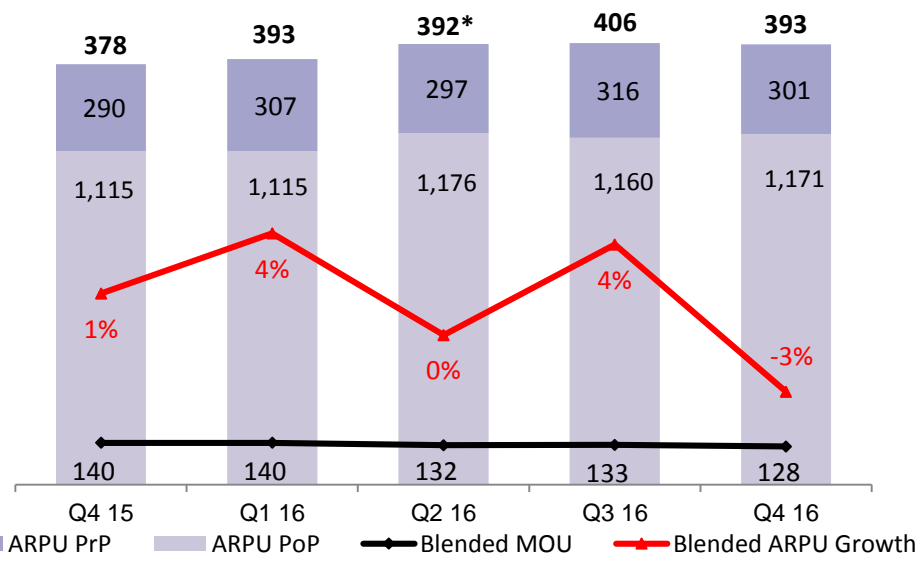
Growth in Prepaid Segment Underpins the QoQ Subscriber Growth

No of Mobile Subscribers'000



ARPU and MOUs Declined Post Re-Implementation of VAT

Blended ARPU (Rs) & MOU



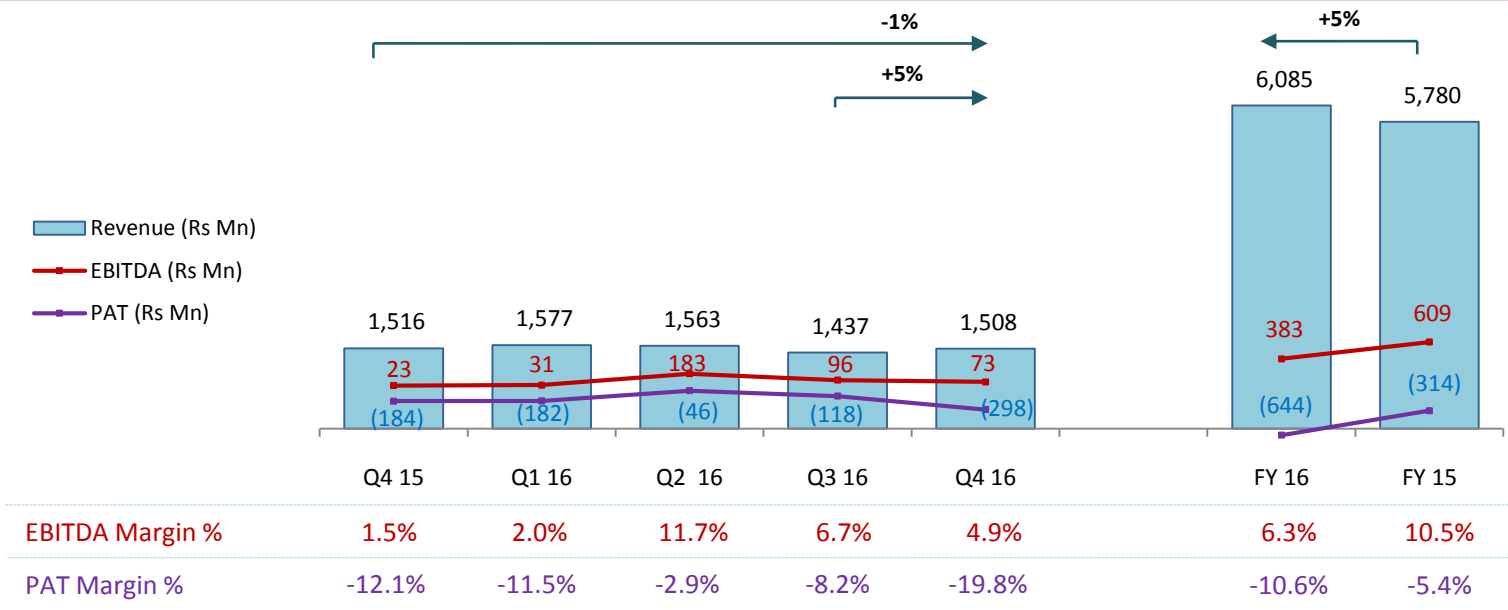
*Restated

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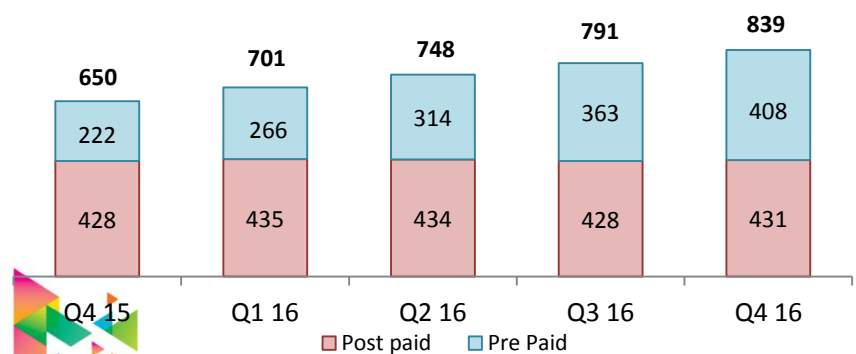
Subsidiary Performance





No of Television Subscribers’000

Total subs growth +6% QoQ; +29% YoY
Postpaid subs growth +1% QoQ; +1% YoY
Prepaid subs growth +12% QoQ; +84% YoY



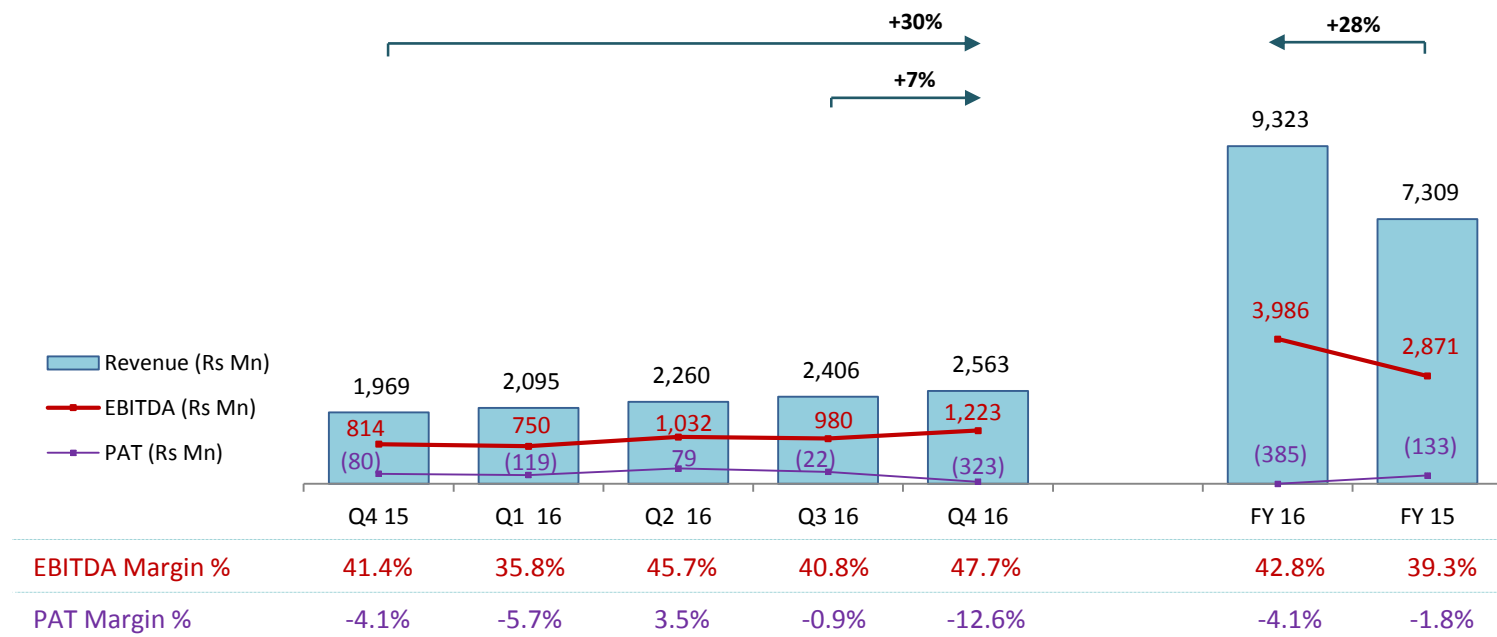
Revenue improvement driven by strong subscriber growth of 6% QoQ and 29% YTD

FY 2016 EBITDA contracted due to direct cost expansion accruing from product enhancements featuring the expansion of channel genres and cost increases stemming from foreign exchange denominated inputs

Contraction of EBITDA translated to an equivalent negative impact on PAT leading to a net loss of Rs644Mn in FY 2016

Dialog Broadband Networks – Fixed Business

Revenue Growth Underpinned by LTE Home Broadband on the back of Network Coverage Enhancements and Aggressive Subscriber Acquisition



Strong growth in Fixed LTE Revenue driving YTD and QoQ Revenue improvement

FY 2016 EBITDA improvement of 39% driven by growth in Revenue

FY 2016 PAT registered a net loss of Rs385Mn underpinned by increase in depreciation accruing from aggressive expansion of Fixed 4G LTE/Fibre Infrastructure and increase in finance cost



Thank You

