



# Dialog Axiata PLC

Sri Lanka's Premier Connectivity Provider

## Q2 2016 Results

10<sup>th</sup> August 2016

an axiata company

Dialog Group Performance

Dialog Axiata Company Performance

Subsidiary Performance



# Dialog Group Performance Highlights

## Dialog Posts Strong 1H despite 2<sup>nd</sup> Quarter Challenges



Group 1H of 2016 registered strong performance with growth across Mobile, TV and Fixed Businesses

- ✓ 1H Group Revenue at Rs42.2Bn, grew by 20% YTD
- ✓ 1H Group EBITDA at Rs14.1Bn, increased by 18% YTD
- ✓ 1H Group PAT grew significantly by 27% YTD to reach Rs4.9Bn

Q2 2016 featured increase in consumption taxes with the introduction of VAT at 15% and NBT at 2% on Telecommunication and DTH Pay TV services and was further affected by impacts arising from the adverse weather condition

- ✓ Q2 Group Revenue remained flat at Rs21.1Bn
- ✓ Q2 Group EBITDA at Rs7.1Bn, up 1% QoQ
- ✓ Q2 Group PAT at Rs2.3Bn declined by 14% QoQ on the back of constrained revenue growth, higher depreciation and unrealised forex losses

Dialog Group further strengthened its leadership in Sri Lanka's ICT sector during the quarter

- ✓ YTD Capex of Rs7.1Bn directed mainly towards investments in High-Speed Broadband infrastructure alongside extension and modernisation of its transmission network; Capex Intensity of 17%
- ✓ Commissioned the Ultra High Capacity 100G-Plus Bay of Bengal Gateway (BBG) Submarine Fibre Optic Cable in Q2 2016 with an aggregate investment in excess of USD34.5Mn (Rs5Bn)

DBN reported solid EBITDA growth of 27% YTD on the back of growth in fixed LTE revenue, whilst DTV reported revenue growth of 12% YTD

### Subscriber Growth Parameters

- ✓ Mobile subscriber base surpassed the 11Mn milestone in Q2 16
- ✓ TV subscriber base of over 748k with over 47k net adds during the quarter



Rs Mn	Q2 16	QoQ	1H 16	YTD
Revenue	21,065	-0.4%	42,222	20%
EBITDA	7,057	1%	14,076	18%
PAT	2,287	-14%	4,958	27%
<i>EBITDA Margin</i>	33.5%	0.3pp	33.3%	-0.6pp
<i>PAT Margin</i>	10.9%	-1.8pp	11.7%	0.6pp
<i>ROIC</i>	15.1%	-2.2pp	16.2%	2.4pp

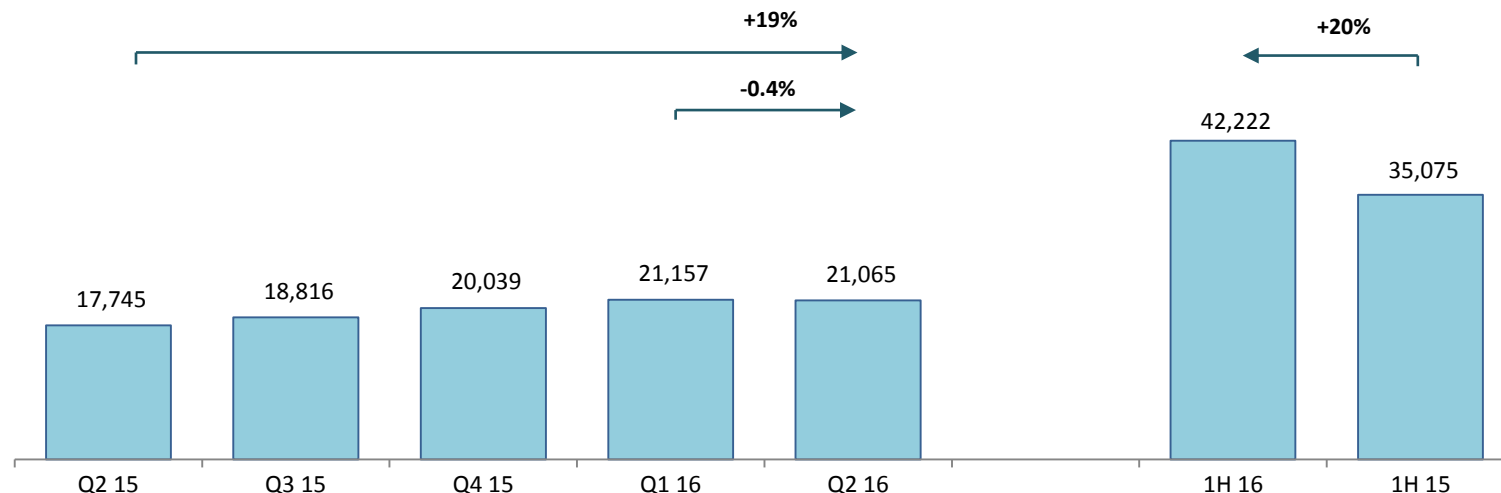
All financial metrics improved significantly YTD with ROIC improving by 2.4 percentage points

Q2 Revenue and EBITDA performance impacted by increase in consumption taxes and adverse weather conditions. Q2 PAT was further diluted by increase in depreciation and unrealised forex losses



# Q2 2016 Group Revenue remained flat at Rs21.1Bn impacted by introduction of VAT and NBT of 15% and 2% respectively, and adverse weather

Group Revenue (Rs Mn)



Introduction of VAT at 15% and NBT at 2% effective 2<sup>nd</sup> May 2016 translates into increase in consumption taxes from 12.2% to 31.7% for data service whilst for Voice, Value added (VAS) and Pay TV services, the consumption taxes increased from 27.6% to 49.7%

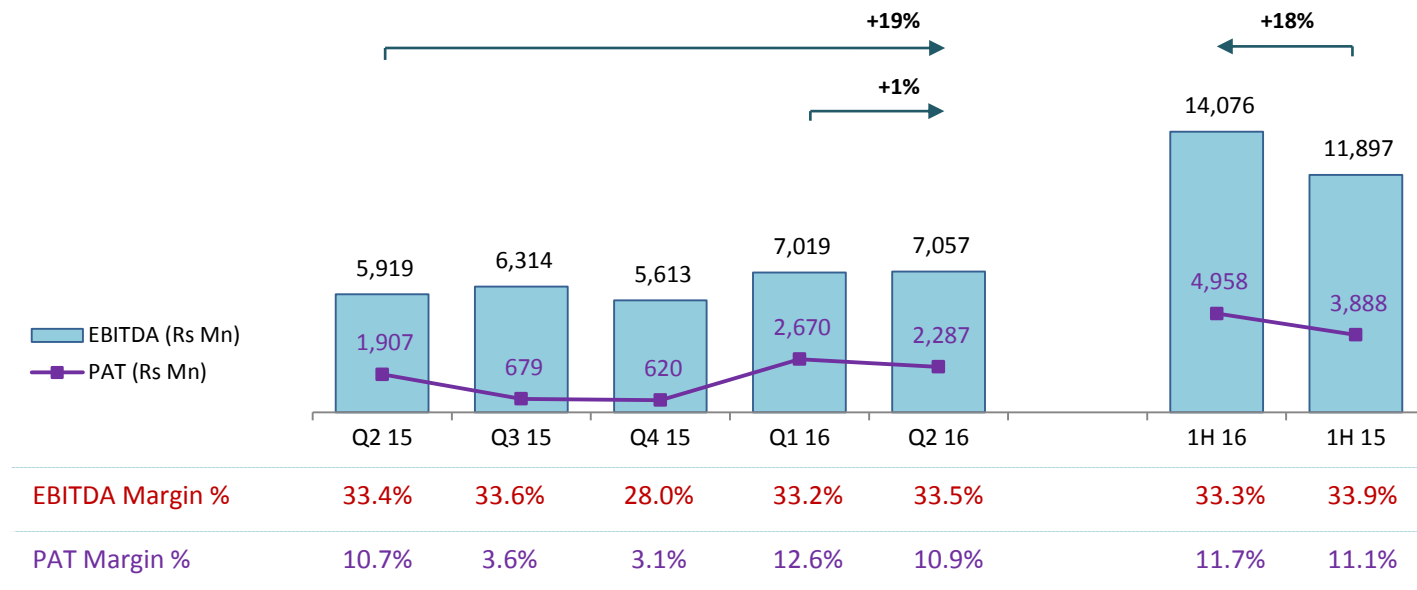
Q2 performance was further affected by impacts arising from the adverse weather conditions that prevailed in the country during the month of May 2016

Group Revenue growth momentum reported in previous quarters was constrained by the aforementioned externalities

- ✓ Prepaid and VAS revenue declined by 6% and 2% QoQ respectively
- ✓ Mobile data growth constrained to 8% QoQ
- ✓ Fixed revenue grew by 10% QoQ on the backdrop of strong growth in fixed LTE revenue
- ✓ Television revenue declined by 1% QoQ

# Q2 2016 Group PAT at Rs2.3Bn declined by 14% QoQ on the back of constrained Revenue growth, higher depreciation and unrealised forex losses

## Group EBITDA and PAT (Rs Mn)



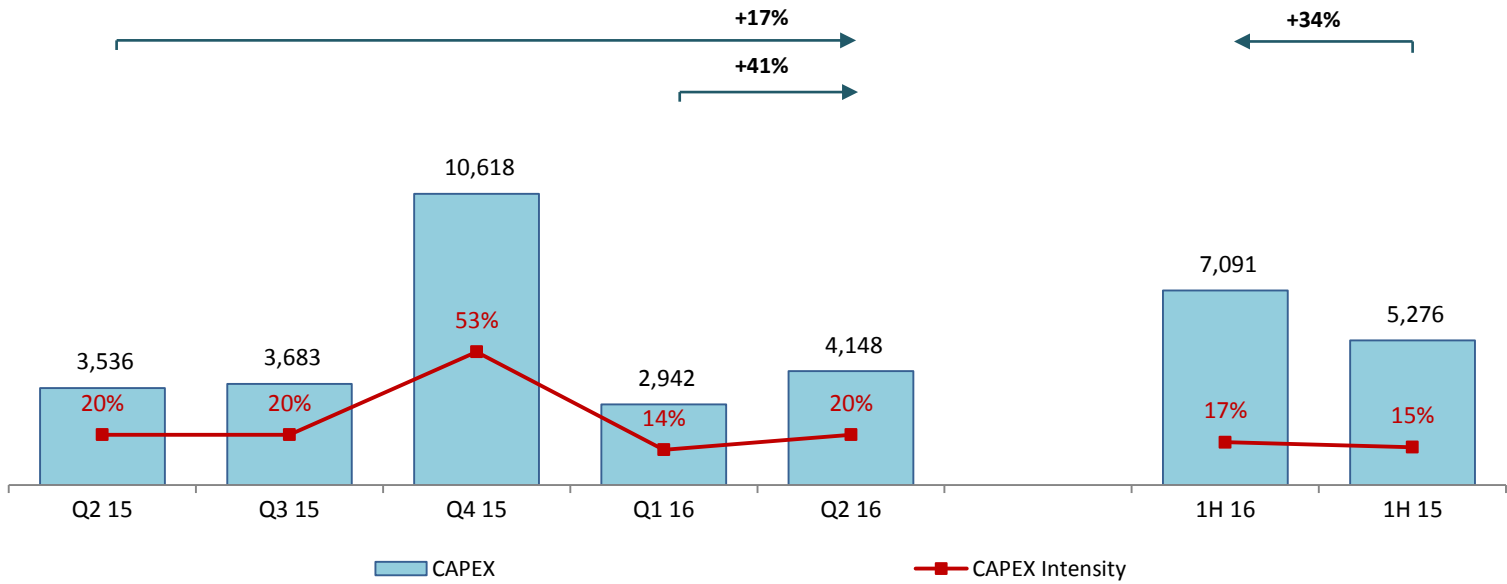
Cost as a % of Revenue	Q2 15	Q1 16	Q2 16	1H 16	1H 15
<b>Total Group Cost</b>	<b>66.6%</b>	<b>66.8%</b>	<b>66.5%</b>	<b>66.7%</b>	<b>66.1%</b>
Direct Expenses	29.7%	29.9%	27.7%	28.8%	28.9%
Sales & Marketing	13.1%	13.7%	13.8%	13.7%	12.7%
Network Cost	9.9%	9.6%	9.8%	9.7%	10.4%
Staff Cost	8.0%	7.8%	7.5%	7.7%	8.1%
Bad debt	1.1%	1.0%	2.5%	1.7%	1.0%
Overheads	4.9%	4.7%	5.2%	5.0%	5.1%

Despite Group Revenue remaining flat, Q2 Group EBITDA grew by 1% QoQ on the back of lower operating costs

YTD Group EBITDA improvement driven by growth in revenue

Group PAT improved by 27% YTD in tandem with strong EBITDA performance while PAT declined by 14% QoQ due to increased depreciation and unrealised forex losses

Capex (Rs Mn)\* / Capex Intensity (%)



YTD Capex of Rs7.1Bn directed mainly towards investments in High-Speed Broadband infrastructure alongside extension and modernisation of the Group transmission network; Capex Intensity of 17%

Commissioned the Ultra High Capacity 100G-Plus Bay of Bengal Gateway (BBG) Submarine Fibre Optic Cable in Q2 2016 with an aggregate investment in excess of USD34.5Mn (Rs5Bn)

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

Structurally Strong Balance Sheet with Net debt to EBITDA Sustained at 1.0x

(Rs Mn)			
	30 Jun 16	31 Mar 16	31 Dec 15
Gross Debt	31,850	31,540	22,910
Net Debt	28,197	21,799	18,481
Gross Debt / equity (x)	0.64	0.63	0.48
Gross Debt/ EBITDA (x)	1.13	1.12	1.02
Net Debt/ EBITDA (x)	1.00	0.78	0.82





Dialog Group Performance

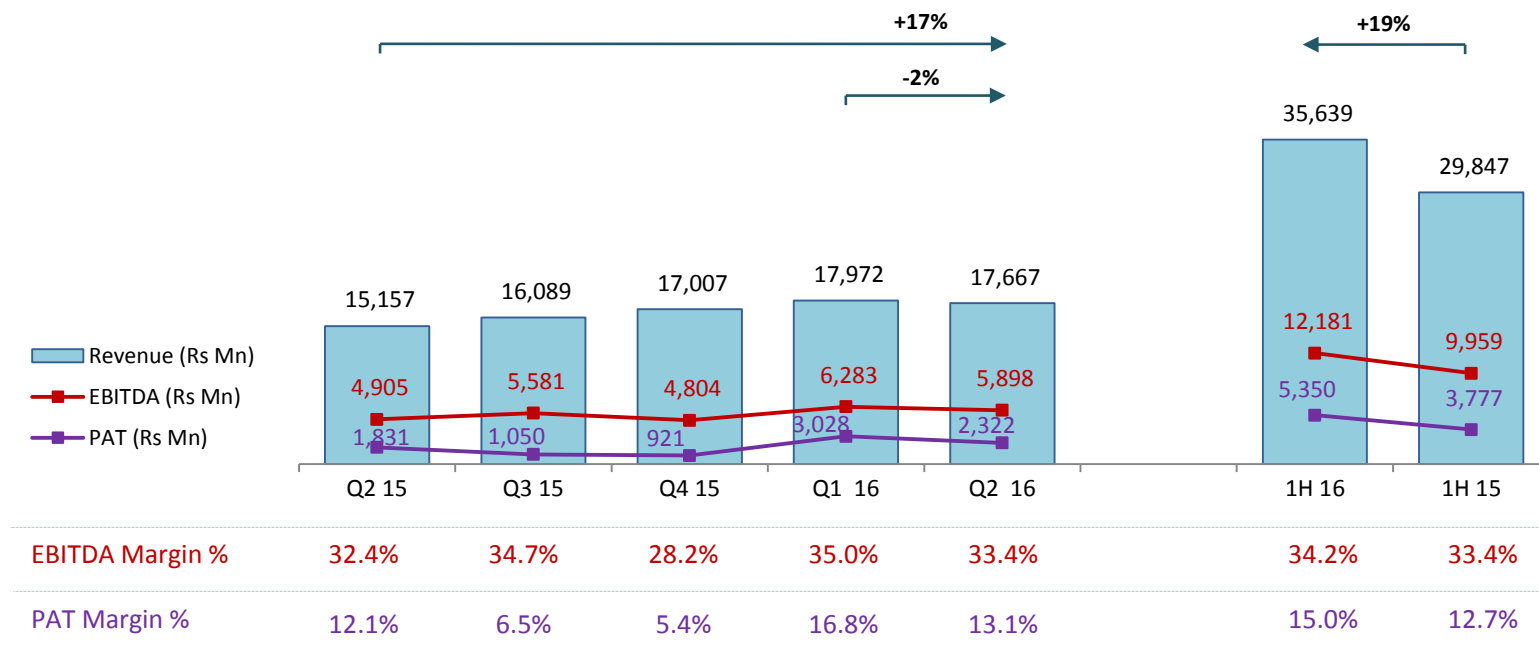
Dialog Axiata Company Performance

Subsidiary Performance



# Dialog Axiata PLC (Company)

## YTD EBITDA and PAT improvement driven by Revenue Growth



Increase in consumption taxes coupled with adverse weather conditions constrained consumption resulting in QoQ revenue declining by 2% whilst strong growth in Data and VAS revenues drove the YTD Revenue improvement by 19%

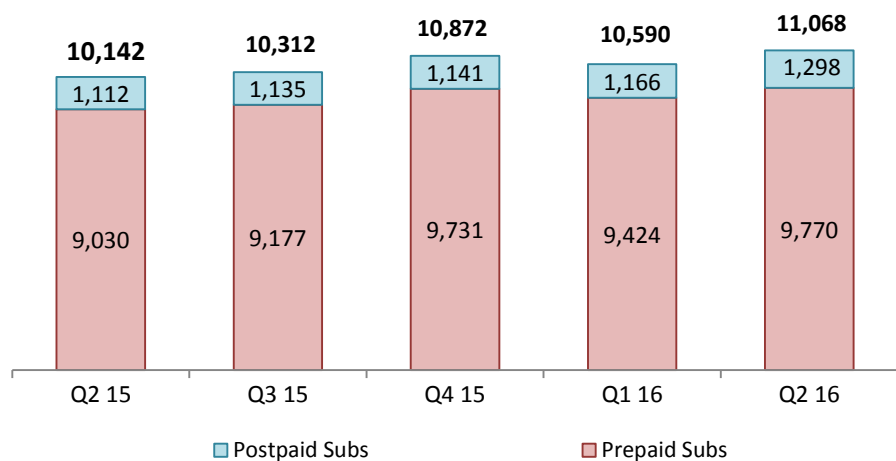
QoQ EBITDA declined by 6% on the back of drop in revenue; Contraction of PAT QoQ due to lower EBITDA, higher depreciation and forex losses

EBITDA increased by 22% YTD in tandem with revenue growth while PAT grew by 42% YTD backed by strong performance in EBITDA

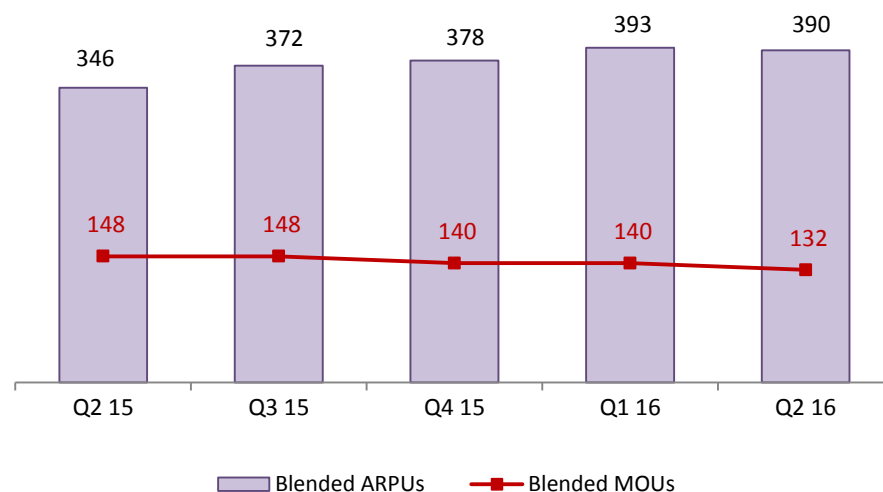
# Mobile Subscriber Growth Continues; up 5% QoQ and 9% YoY

## No of Mobile Subscribers'000

Total subs growth +5% qoq; +9% yoy  
 Postpaid subs growth +11% qoq; +17% yoy  
 Prepaid subs growth +4% qoq; +8% yoy



## Blended ARPU (Rs) & MOU



Mobile subscriber base surpasses 11Mn milestone as at end Q2 16

Growth in Prepaid segment underpins the YoY subscriber growth

Impacted by increased consumption taxes and adverse weather conditions, ARPU and minutes of usage declined QoQ

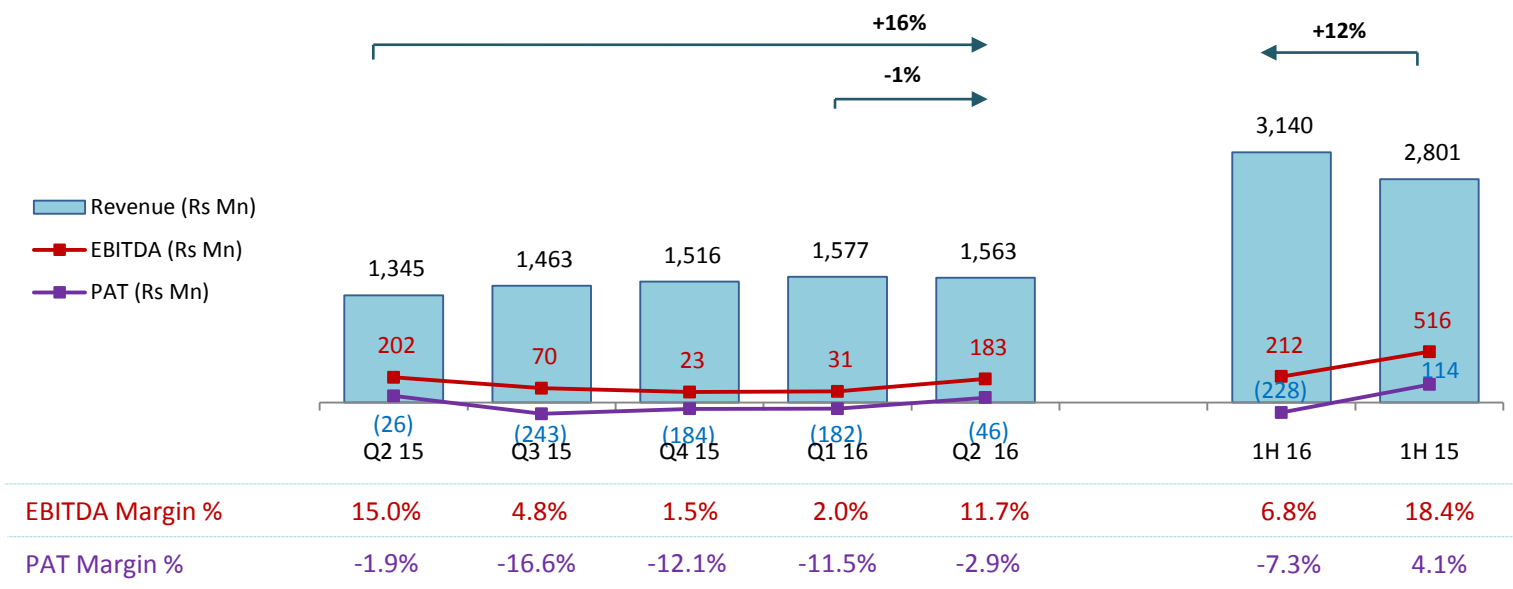


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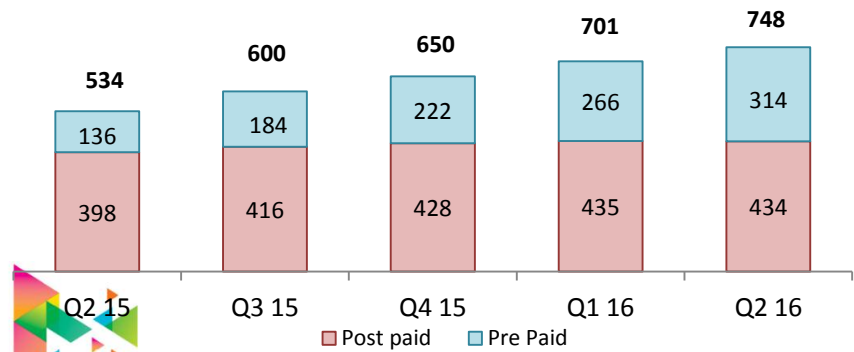
Subsidiary Performance





### No of Television Subscribers'000

Total subs growth +7% qoq; +40% yoy  
Postpaid subs growth -0% qoq; +9% yoy  
Prepaid subs growth +18% qoq; +131% yoy



YTD revenue improvement driven by strong subscriber growth while QoQ revenue impacted by reduced prepaid connection fee revenue

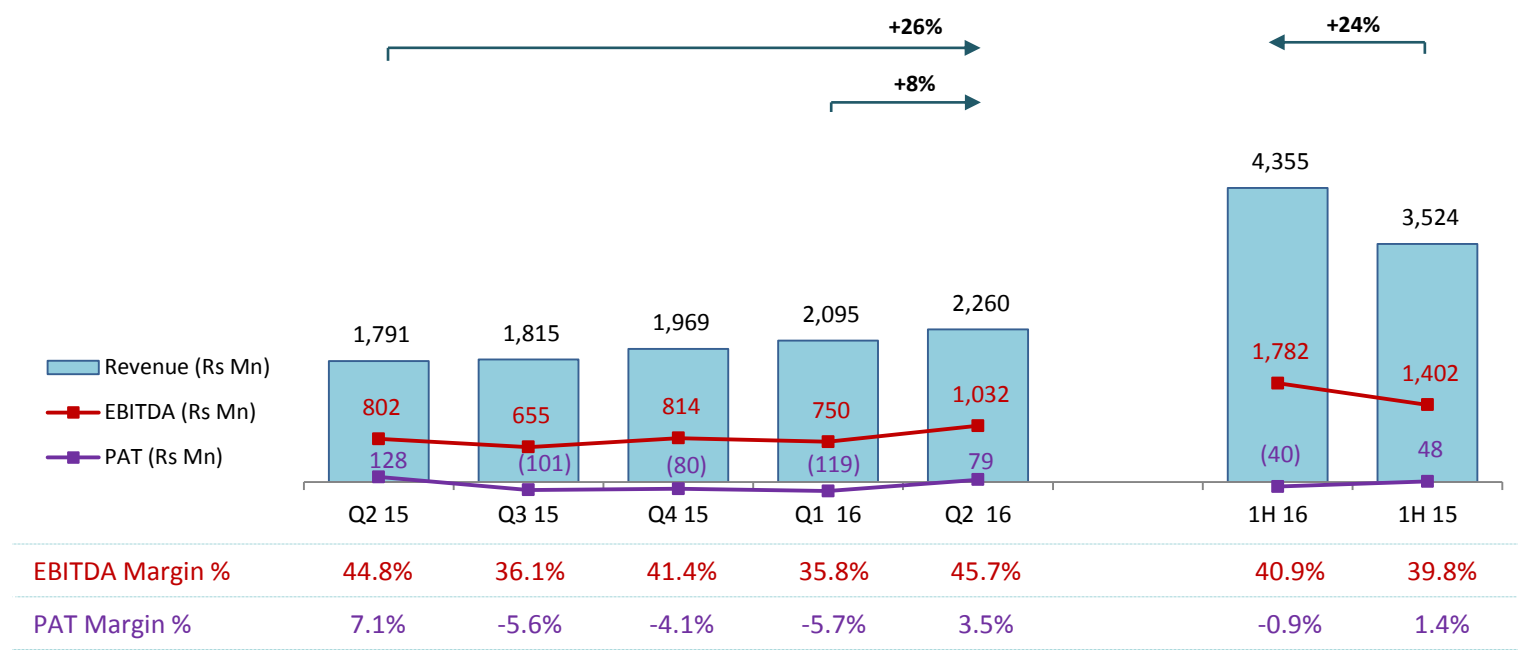
Cost expansion arising from aggressive customer acquisition alongside service and product expansion activities resulted in a medium term contraction of EBITDA on a YTD basis

Contraction of EBITDA translated to an equivalent negative impact on PAT leading to a net loss of Rs228Mn for 1H 2016



# Dialog Broadband Networks

EBITDA improved significantly QoQ and YTD on the back of Strong uptake of LTE Services



Strong growth in fixed LTE revenue driving QoQ and YTD EBITDA improvement

YTD PAT registered a net loss of Rs40Mn underpinned by increase in depreciation accruing from Fixed LTE related investments



**Thank You**

