

SLT Group: Q1 Operating Profit Up By 14 Percent



Sri Lanka Telecom (SLT), delivered Q1 2012 results with a growth of nine percent in revenue and 14 percent in operating profit. The Group is driving a visionary business strategy coupled with a pragmatic transformation plan, which is reflected in these results and on-the-ground initiatives which the Group has continued to deliver according to the mandate it has mapped for growth. Depreciation of the Sri Lanka Rupee had a ripple effect on the Group's results due to the significant US dollar exposure in the Group's mobile subsidiary, Sri Lanka Telecom Mobitel. The exchange loss of Rs 1.4 billion for Q1 therefore posed negativities for Profit Before Tax (PBT) and Profit After Tax (PAT), although revenue and operating profits have grown significantly year on year (YoY) to Rs 13.53 billion and Rs 1.86 billion respectively. Taking into account the exchange loss, PBT at Group level saw a decline of 47 percent posted at Rs 901 million, while PAT, decreasing by 72 percent is posted at Rs 365 million. Once normalised however, the Group PBT gained 34 percent to Rs 2.33 billion compared to Q1 of 2011's figure of Rs 1.71 billion and PAT

also showed a growth of 39 percent to Rs 1.8 billion from Rs 1.29 billion.

At company level, Sri Lanka Telecom reported the highest quarterly revenue since 3Q 2009, at Rs 8.59 billion with a 7 percent growth YoY. The company, which maintains a balanced mix of foreign exchange exposure, has been able to record Rs 1.78 billion PBT, a 37 percent growth compared to Rs 1.30 billion in the same quarter of the previous year, while achieving a 39 percent increase in PAT from Rs 989 million in 1Q 2011 to Rs 1.37 billion in 1Q 2012. Despite the increase in operational expenses by 11 percent to Rs 5.6 billion during the quarter under review, the company has been able to marginally increase EBITDA to Rs 2.93 billion from Rs 2.91 billion. Nontraditional revenue streams including fixed broadband, PEO TV, Wholesale, and Enterprise sales were all key drivers in contributing to revenue growth and driving profitability upwards. The increase in Operational Expenditure was mainly driven by the 100 percent increase of the regulatory International Telecommunication Levy (ITL), which earlier stood at USD .015 but from January 2012, increased to USD .030 per minute.

“We Are Focused On Ensuring Absolute Connectivity Across The Country...We Have Displayed Consistent And Strong Growth In Our Financials...”

Sri Lanka Telecom Mobitel, the Group's flagship subsidiary, though feeling the after effects of the depreciating Rupee, saw its revenue grow by 12 percent to Rs 5.84 billion and EBITDA of Rs 2.03 billion, an increase of 22 percent. The Loss Before Tax posted by Sri Lanka Telecom Mobitel for the quarter is Rs 816 million, driven by the foreign exchange loss with a Loss After Tax of Rs 948 million. Without the Exchange Loss, Mobitel recorded a profit before tax of Rs 707 million and Profit After Tax of Rs 575 million recording YoY growth of 42 percent and 50 percent respectively.

Commenting on the first quarter results, Nimal Welgama, Group Chairman said, “The strong underlying growth in operating profits demonstrates our sound growth strategy balancing profitable growth coupled with significantly increased capital investment in network modernisation and capacity expansion. Our i-Sri Lanka project is delivering high speed island wide broadband enhancement for fixed line customers, whilst our fibre based optical backbone network expands its footprint to serve not only the SLT group but other operators also. Meanwhile, at Mobitel, we are rapidly expanding network capacity to keep pace with growth in voice and mobile 3G broadband customer demand. Repudiating the global trend of declines in

fixed line subscribers,

Sri Lanka Telecom's product range and the demand for high speed uninterrupted broadband and entertainment through PEO TV has seen fixed PSTN line customers increase by 6 percent YOY.

Opining that the Group is extremely cognizant that financial and organisational growth can only be fuelled by best practices in governance, ethics, professionalism and instituting transparency, accountability and prudent risk management, he says, "We are focused on ensuring absolute connectivity across the country, and while we have displayed consistent and strong growth in our financials, we are mindful that we must create a sustainable foundation for future growth as evidenced by our aggressive capital investment in network modernisation and expansion programme".

Chairman SLT, Nimal Welgama