

SLT Group Stays Resilient for Q3, Overcoming External Impacts

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Rohan Fernando, Group Chairman, SLT.

Sri Lanka Telecom Group (SLT Group) has reported positive overall revenues of 79.6 billion rupees, a consolidated growth of 3.9 percent for the first nine months of 2022 compared to the same period last year, mainly driven by prudent and proactive measures undertaken in financial and operational management.

SLT Q3 revenues grew to 16.9 billion rupees, an increase of 7.4 percent compared to the same period last year, also reflected in optimistic year-to-date growth of 10.6 percent at 49.4 billion rupees. SLT Group's contribution to the Government of Sri Lanka during the first nine months of 2022 amounted to 21 billion rupees in direct and indirect taxes, including levies and dividends.

The Group's Gross Profit growth for Q3 witnessed a marginal 0.8 percent increase at 11.1 billion rupees compared to the previous quarter. Weighing down growth, a

negative 3.4 percent in Gross Profit at 33.4 billion rupees was recorded for the first nine months, compared to the same period last year. Group Profit After Tax (PAT) growth declined to 27.1 percent (QoQ), while year-to-date also reflected a downward momentum at 34.1 percent.

At the Company level, SLT posted a positive 9.3 percent Gross Profit increase of 7.2 billion rupees for Q3, QoQ, and ended the nine months of the year in a similar trend of 7.1 percent at 20.4 billion rupees. Furthermore, at the Company level, Profit Before Tax for the first nine months recorded a significant increase of 136.1 percent owing to a forex gain of 5.6 billion rupees attributable to USD deposits, Dividend Income of 2.3 billion rupees, and 1.1 billion rupees of Interest Income earned from USD deposits. PAT for the same period saw considerable growth of 82.8 percent at 9.3 billion rupees, mainly due to forex gains due to LKR devaluation and dividend income received from subsidiaries. PAT growth for the Company in Q3 was a negative 76.6 percent compared to last quarter (QoQ).

Rohan Fernando, Group Chairman, SLT said, “I am pleased to announce yet another quarter of positive revenue growth for the Group. The resilience in our results is primarily due to management intervention in containing costs, the reduction in energy costs, consolidation of operations moving into company-owned premises, and asset monetization subject to government policy being stable to attract FDIs. These results demonstrate how we continue to make tangible progress in delivering steady revenues despite 2022 being one of the most difficult periods in the history of Sri Lanka.

The company is cautiously moving into the fourth quarter, meeting all obstacles with a positive outlook.”

Company revenue growth was primarily driven by increases in Carrier Domestic, Broadband, and Carrier International revenue streams. Carrier Domestic growth was predominantly from expansion in Ethernet, international private leased circuit (IPLC), and internet leased line (ILL) services. Broadband saw revenue growth mainly from FTTH Broadband, while Carrier International’s growth was chiefly due to USD appreciation. However, domestic interconnection revenue dropped due to a direction by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) to reduce charges from April 2022 onwards.

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The Chairman added, “The vision of the SLT Group of becoming a regional tech conglomerate will be pursued vigorously with the unified brand and consolidation of operations under one roof taking place gradually with the deployment of our state-of-the-art, high-tech, green building by the middle of 2023.”

The mobile services arm of the Group, Mobitel, has experienced a revenue decline in third quarter of 2022 against the same period in the previous year, impacted by macroeconomic challenges, tax changes, and reduction of domestic interconnect charges. Nonetheless, Mobitel sustained growth in international business revenues while productivity and efficiency-enhancing initiatives enabled the subsidiary to remain profitable.

Meanwhile, SLT Group’s EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) growth witnessed a marginal reduction of 1.3 percent in the first nine months of 2022, compared to the same period last year. However, at the Company level, EBITDA posted a more robust 5 percent year-on-year growth, mainly attributed to various initiatives, including containing costs and asset monetization. Notably, due to inflation, operating costs have risen, impacting the overall Group EBITDA margins.

The Group’s operating profit declined by 15.5 percent, the fall mainly led by the devaluation of the LKR and high inflation costs in the first nine months of 2022. Operating expenses of the Group, including SLT and Mobitel, have increased due to forex devaluation, fuel costs, and inflation that has prevailed in the country. Year-on-year electricity cost has decreased due to power outage, whereas generator fuel cost has increased significantly due to power outage and fuel price increases.

As a result of the sharp devaluation of the LKR against the USD during the previous quarter, Q2’22, SLT recorded a 2.3 billion rupees forex gain. In contrast, the forex gain in Q3’22 was marginal at 0.1 billion rupees due to the stability of forex movements during the period.