

Pakistan Telecommunication Co. (PTC)

1Q2018 EPS Rs0.2, down 10% YoY

In-line with expectations

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Net earnings marred by higher financial charges

PTC: Financial Highlights (Consolidated)					
Rsmn	1Q2018	1Q2017	YoY	4Q2017	QoQ
Sales	30,050	28,827	4%	29,159	3%
Cost of sales	21,617	21,358	1%	24,259	-11%
Gross profit	8,433	7,468	13%	4,900	72%
Distribution cost	1,749	1,473	19%	1,964	-11%
Administrative expenses	4,435	4,419	0%	4,121	8%
Other income	862	1,052	-18%	3,039	-72%
Profit from operations	3,112	2,629	18%	1,854	68%
Finance cost	1,581	865	83%	3,745	-58%
Profit before tax	1,530	1,765	-13%	(1,891)	NM
Taxation	523	646	-19%	(812)	NM
Profit after tax	1,007	1,119	-10%	(1,079)	NM
EPS	0.2	0.2		(0.2)	

Source: Topline Research

- PTC posted EPS of Rs0.2 in 1Q2018, broadly in-line with our expectations. Earnings were down 10% primarily owing to 83% YoY increase in financial charges.
- PTC's core revenues witnessed marginal increase while consolidated revenues were up 4% YoY in the outgoing quarter.
- As of Feb, 2018, Digital Subscriber Line (DSL) stood at 1.6mn, up 1% since Dec 2017 while Evolution Data Optimized (EvDO) subscribers declined by 6% during the same period to 0.5mn. As of Feb 2018, total broadband subscribers in Pakistan reached 53.6mn where Mobile BB stood at 51mn.

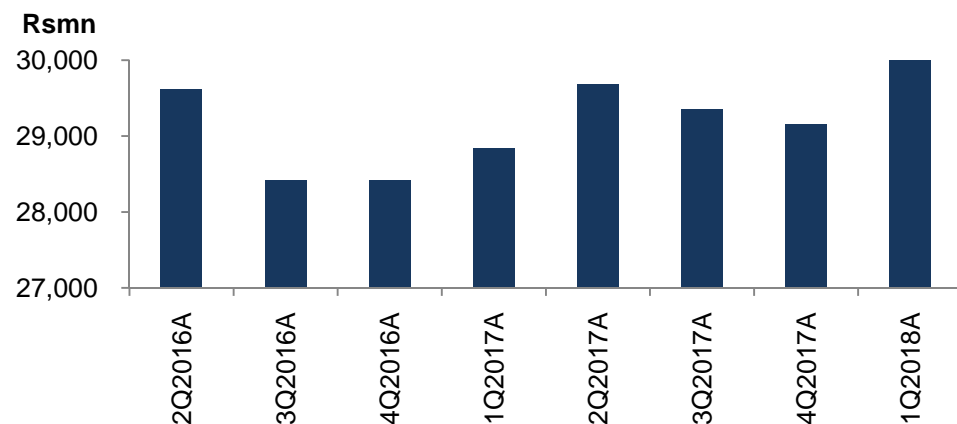
Net earnings marred by higher financial charges

- Growth in PTC's 1Q2018 consolidated revenues was supported by increase in revenue of its subsidiary company (Ufone). Ufone reported revenues of Rs12.5bn, up 10% YoY. To point out, Ufone's NGMS showed growth of 5% to 6mn subscribers as of Feb 2018, up 5% since Dec 2017.
- As of Feb 2018, Pakistan's annual cellular subscribers reached 147mn where Ufone's market share stood at 37%.
- We flag 1) competition in mobile subscribers impacting Ufone's subscriber base, 2) decline in EvDO & DSL subscribers not offset by increase in Ufone's 3G subscriber share, and 3) stagnancy in company's legacy business, that is fixed line, as key risks associated with PTC.

PTC: Key Numbers					
	2013A	2014A	2015A	2016A	2017A
EPS	3.1	0.8	0.4	0.3	0.9
Earnings Growth	37%	-75%	-53%	-13%	168%
PE at Rs12.8	4.1	16.4	34.9	40.1	15.0
Dividend Yield	16%	20%	16%	8%	8%
ROE	12%	3%	2%	1%	4%
PBV	0.5	0.5	0.6	0.6	0.6

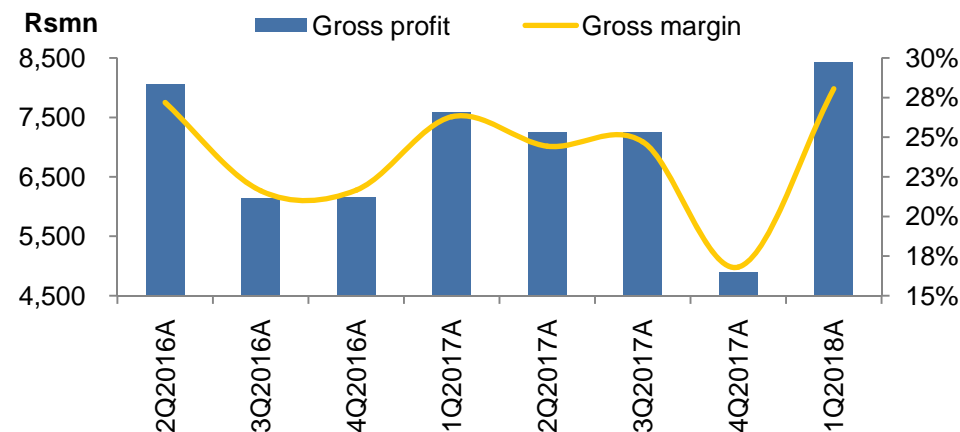
Source: Company Accounts, Topline Research

PTC: Quarterly Sales



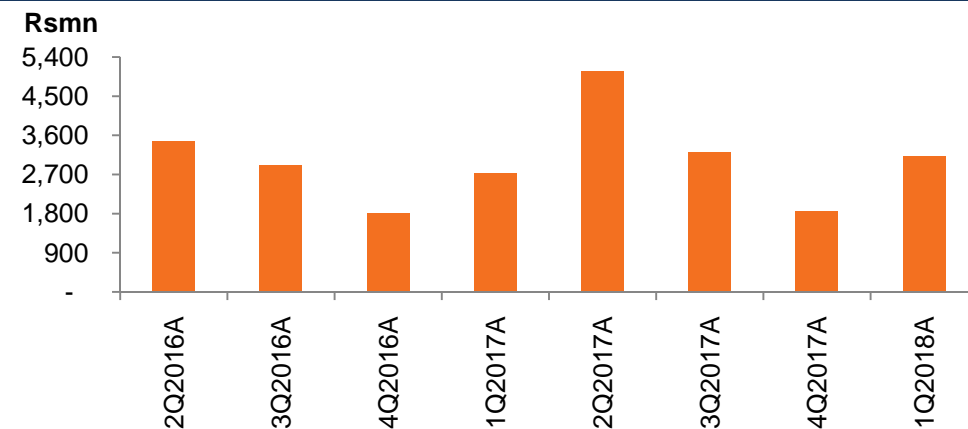
Source: Company Accounts, Topline Research

PTC: Quarterly Gross Profit & Gross Margins



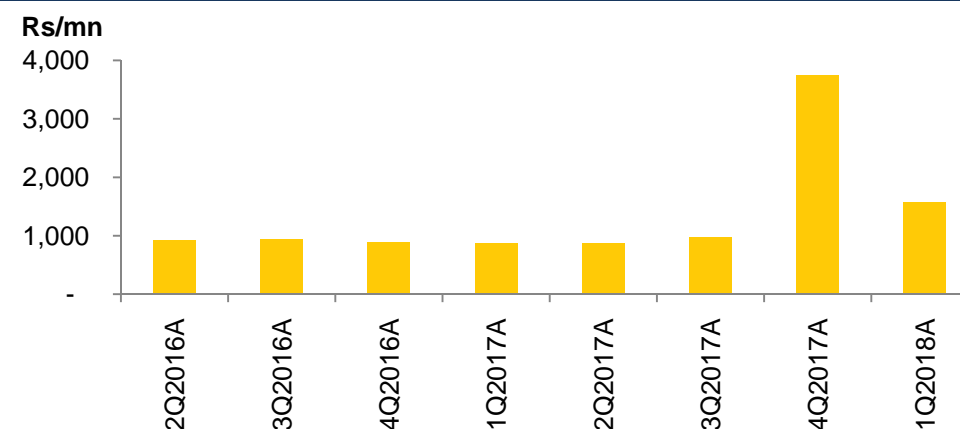
Source: Company Accounts, Topline Research

PTC: Quarterly Earnings Before Interest & Tax



Source: Company Accounts, Topline Research

PTC: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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