

# Pakistan Telecommunication Co. (PTC)

**2Q2018 EPS Rs0.22, -59% YoY (+12% QoQ); 1H2018 EPS Rs0.42, down -46% YoY**

**Cash dividend of Rs1/share**

**In-line with expectations**

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# Net earnings tarnished by higher financial charges

PTC: Financial Highlights (Consolidated)							
Rsmn	2Q2018	2Q2017	YoY	QoQ	1H2018	1H2017	YoY
Sales	30,612	29,680	3%	2%	60,662	58,507	4%
Cost of sales	22,508	22,496	0%	4%	44,125	43,904	1%
Gross profit	8,104	7,185	13%	-4%	16,537	14,603	13%
Distribution cost	1,619	1,604	1%	-7%	3,368	3,027	11%
Administrative expenses	4,535	4,475	1%	2%	8,970	8,893	1%
Other income	1,056	3,947	-73%	23%	1,917	4,999	-62%
Profit from operations	3,005	5,053	-41%	-3%	6,117	7,682	-20%
Finance cost	2,019	869	132%	28%	3,600	1,734	108%
Profit before tax	986	4,184	-76%	-36%	2,517	5,949	-58%
Taxation	145	1,448	-90%	-72%	668	2,093	-68%
Profit after tax	1,131	2,736	-59%	12%	2,138	3,855	-45%
<b>EPS</b>	<b>0.22</b>	<b>0.54</b>			<b>0.42</b>	<b>0.77</b>	

Source: Topline Research

- PTC posted an EPS of Rs0.22 in 2Q2018, broadly in-line with our expectations. Earnings were down by 59% primarily owing to 132% YoY increase in financial charges and other income down by 73% YoY.
- PTC's core revenues witnessed marginal decrease of 1% while consolidated revenues were up 3% YoY in the 2Q2018.
- As of May 2018, Digital Subscriber Line (DSL) declined to 1.58mn, down 0.8% since Mar 2018 while Evolution Data Optimized (EVDO) subscribers declined by 6.2% during the same period to 0.43mn. As of May 2018, total broadband subscribers in Pakistan reached 57.7mn where Mobile BB stood at 55.4mn.

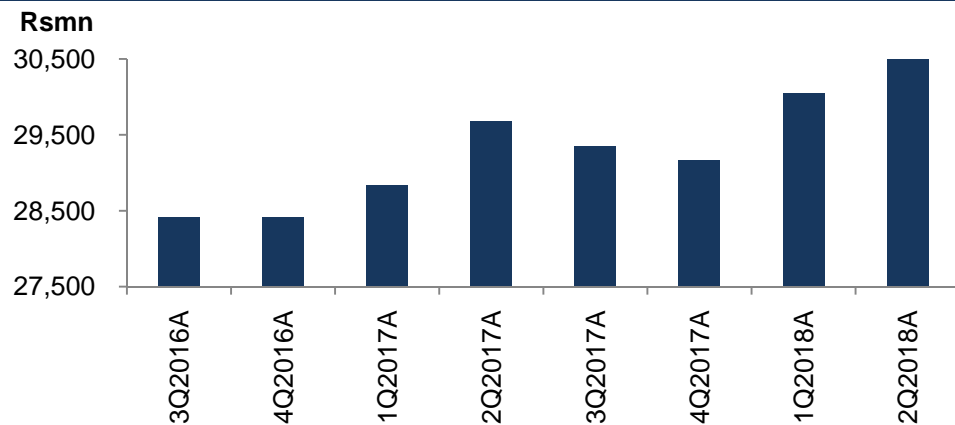
# Net earnings tarnished by higher financial charges

- Growth in PTC's 2Q2018 consolidated revenues was supported by increase in revenue of its subsidiary company (Ufone). Ufone reported revenues of Rs12.8bn, up 9% YoY. To point out, Ufone's NGMS showed growth of 4.6% to 6.4mn subscribers as of May 2018, compared to end of last quarter in Mar 2018.
- The significant increase in financial charges during the outgoing quarter was mainly due to exchange losses incurred on Ufone, as per our channel checks. This was on the back of currency devaluation.
- As of May 2018, Pakistan's annual cellular subscribers reached 150mn where Ufone's market share stood at 14%.
- We believe 1) increased competition in mobile subscribers to impact Ufone's subscriber base, especially by Zong (CMPAK), 2) decline in EvDO & DSL subscribers 3) decline in the core operations of the company which is the 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 Rs11.1	3.6	14.3	30.4	34.9	13.1
Dividend Yield	18%	22%	18%	9%	9%
ROE	12%	3%	2%	1%	4%
PBV	0.4	0.5	0.5	0.5	0.5

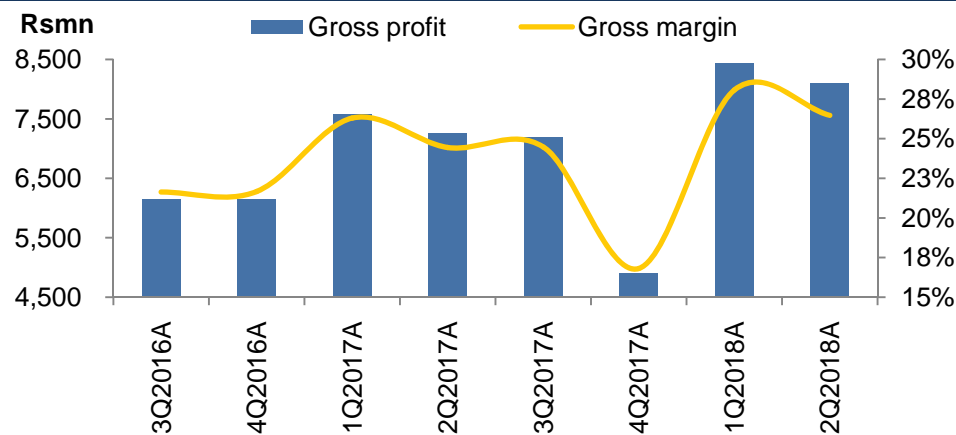
Source: Company Accounts, Topline Research

### PTC: Quarterly Sales



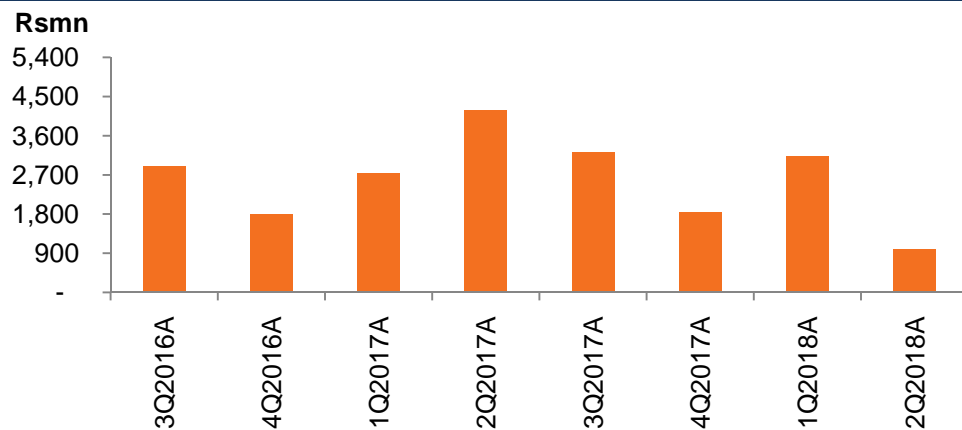
Source: Company Accounts, Topline Research

### PTC: Quarterly Gross Profit & Gross Margins



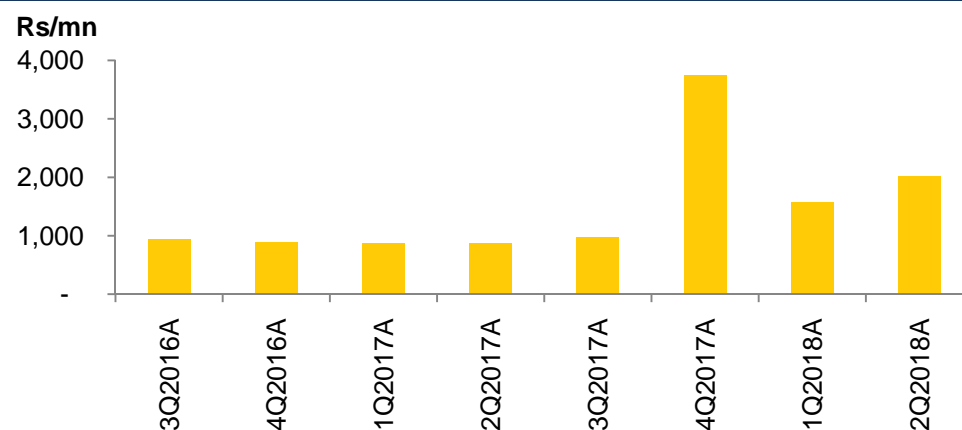
Source: Company Accounts, Topline Research

### PTC: Quarterly Earnings Before Interest & Tax



Source: Company Accounts, Topline Research

### PTC: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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