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SLT 2013 NPBT - Rs. 7.4 Bn with Remarkable 25.9% Growth

Sri Lanka Telecom, the leading integrated telecommunication services provider released its company and group financial performance for the financial year 2013, and for the 4th quarter of 2013 with impressive results. SLT group comprises the holding Company Sri Lanka Telecom (PLC) (SLT) and six other subsidiaries including the group mobile arm Mobitel (Pvt.) Ltd.

During the year 2013, the group reported Rs.60.1Bn revenue with 5.9% growth when compared to the previous year. The growth of revenue was mainly driven by the revenue increases of SLT, the holding company and Mobitel. Meanwhile the group has been able to manage its operational costs at Rs. 41.2Bn with a sustainable increase of 6.2% compared to the previous year. The group reported Rs.18.9Bn. Earnings Before Interest Tax Depreciation and Amortization (EBITDA) for the year 2013. Healthy revenue growth coupled with operating cost management, increased EBITDA by 5.3% when compared to the previous year. EBITDA margin remained at 31.5%. The increase in EBITDA and favorable outcome of non-operational affairs resulted in an impressive 25.9% Year on Year (YoY) growth of Group Net Profit Before Tax (NPBT) of the year under review to Rs. 7.4Bn. The Group Net Profit After Tax (NPAT) increased to Rs. 5.4Bn with 38.2% growth YoY while the group NPAT for the 4Q2013 dropped by 3.1% QoQ to Rs 1.5Bn due to the impact of taxation.

Comparative data of the previous year has been restated in order to comply with guidance of the Institute of Chartered Accountants of Sri Lanka on bringing back the fully depreciated assets into the Statement of Financial Position which are being used for the purpose of deriving economic benefits. Accordingly Rs.1.5 Bn accumulated depreciation applicable to such assets was reversed to the retained earnings, which impacted to increase written down value of assets by the same amount. The impact of this adjustment on the group financial performance under review was additional depreciation charge that arose due to the above adjustment.

The holding company Sri Lanka Telecom (PLC), recorded Rs. 36.8Bn revenue during the year 2013 with 5.9% growth compared to the year before while reporting 5.8% QoQ growth with Rs. 9.9Bn in revenue gained during the 4Q 2013. This revenue growth was driven by outstanding performance of non-voice services including Broadband and PEO TV, despite negative growth of voice and international service sectors – a worldwide trend. The company EBITDA grew up by 7.3% to Rs.10.0Bn YoY, while the EBITDA margin slightly improved to

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27.1% as opposed to 26.7% of the year before. The revenue increase and prudent operating cost management at 5.5% YoY increase to Rs.26.8Bn has resulted in improvements to the EBITDA. The NPBT of the company increased from 9.8% YoY to Rs.5.0Bn during the year 2013, while reporting impressive 12.0% YoY growth of NPAT to Rs.3.6Bn. The positive results of non-operating affairs of the company together with strong growth of EBITDA resulted in healthy growth in NPBT and NPAT. Strong 59.7% and 67.9% QoQ growth is reported from NPBT and NPAT amounting to Rs. 1.9Bn and Rs. 1.4Bn respectively during the 4Q2013.

Mobitel continued its growth spiral recording double digit revenue growth of 10% for the financial year 2013. In absolute terms, Mobitel recorded a sales turnover of Rs. 27.5 Bn in 2013 compared to Rs.24.9 Bn in 2012, an increase of Rs.2.6 Bn. For the fourth quarter of 2013 Mobitel reported revenue exceeding Rs 7 Bn which is an increase by 9% compared to the fourth quarter of 2012.

Although the Sri Lankan voice market subscriber penetration has reached saturation, Mobitel continued its growth in 2013 as well with Mobitel subscriber base crossed the 5 million subscriber mark. Mobitel's continuous commitment and investments towards scaling and upgrading its network infrastructure have resulted in a better customer experience which in turn boosts revenue growth for the company. Considerable investment in the latest and timely upgrades in broadband technologies such as 3G and 4G have begun to pay off gradually with steady increase in broadband revenue.

A similar growth trend continues across the company's profitability indicators with EBITDA growing by 11% to cross the Rs 9.1Bn mark and EBIT growing by 12% to cross the Rs. 3.5Bn mark while the EBITDA margin for the year 2013 stands at a healthy 33%. The strong growth in EBITDA and EBIT can be attributed to the prudent cost management initiatives coupled with measures to enhance productivity.

For the year 2013 Mobitel reported an NPAT of Rs.2.4Bn as against Rs.1.1Bn in the financial year 2012, recording an improvement of 115.2%. Profits for 2012 were significantly affected by the depreciation of the rupee during the given year which eroded profits. It is creditable that profit for 2013 was achieved after incurring a depreciation and amortization charge of Rs.5.5Bn, which was 9.6% higher when compared with the financial year 2012, and also higher interest costs compared to the same period. Higher depreciation and interest costs are attributed to the new investments in technology and network expansion during the same year. The sharp increase in profitability is also attributable to optimum asset utilization, increased productivity and relatively stable macro environment that prevailed during the year 2013. Although there was a devaluation of the rupee in 2013 as well it was marginal thus profits were not affected as in 2012.