

SLT Group stays resilient for Q3 overcoming external impacts

Colombo, November 11 2022 - Sri Lanka Telecom Group (SLT Group), the National ICT Solutions Provider, has reported positive overall revenues of Rs 79.6 Bn, a consolidated growth of 3.9% for the first nine months of 2022 compared to the same period last year, driven largely by prudent and proactive measures undertaken in financial and operational management.

Demonstrating resilience in its business model, at Company level, SLT Q3 revenues grew to Rs 16.9 Bn, an increase of 7.4% when compared to the same period last year, also reflected in optimistic year-to-date growth of 10.6% at Rs 49.4 Bn. SLT Group's contribution to the Government of Sri Lanka during the first nine months of 2022 amounted to Rs. 21 Bn. in direct and indirect taxes including levies and dividends.

The Group's Gross Profit growth for Q3 witnessed a marginal 0.8% increase at Rs 11.1 Bn, in comparison to the previous quarter. Weighing down growth, a negative 3.4% in Gross Profit at Rs 33.4 Bn was recorded for the first nine months of the year, compared to the same period last year. Group Profit After Tax (PAT) growth declined to 27.1% (QoQ) while year-to-date also reflected a downward momentum at 34.1%.

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

SLT Group Chairman, Rohan Fernando 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 provision of Ethernet, international private leased circuit (IPLC) and internet leased line (ILL) services. Broadband saw revenue growth mainly from FTTH Broadband while Carrier International growth was chiefly due to USD appreciation. However, domestic interconnection revenue dropped as a result of a direction by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) to reduce charges from April 2022 onwards.

Commenting on the future, 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 Q3’ 22 against the same period in the previous year, impacted by macro-economic challenges, tax changes and reduction of domestic interconnect charges. Nonetheless, Mobitel sustained growth in international business revenues while productivity and efficiency enhancing initiatives in all areas also enabled the subsidiary to remain profitable within the industry.

Meanwhile, SLT Group’s EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) growth witnessed a marginal reduction of 1.3% in the first nine months of 2022, compared to the same period last year. However, at Company level, EBITDA posted a stronger 5.0% 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%, the fall mainly led by 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 have decreased due to power outage whereas generator fuel cost has increased significantly due to power outage as well as 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 Rs.2.3 Bn forex gain. In contrast, the forex gain in Q3’22 was marginal at Rs.0.1 Bn due to the stability of forex movements during the period.