

Foundation Alert

PTC: Analyst Briefing Takeaways

Event

- Pakistan Telecommunication Company Ltd (PTC PA) held its analyst briefing today to discuss its 1QCY23 financial results. Following are the key takeaways of the briefing.

Impact

- PTC consolidated revenue clocked in at Rs43.2bn, up by 23.2% YoY despite the ongoing economic challenges. However, company reported loss of Rs5.7bn on consolidated basis in 1QCY23 due to significant fluctuation of economic variables and network expansion in Ufone.
- Management disclosed that revenue increase was experienced across all the segments with 17/20/73% YoY uptick in revenue contribution from PTCL/Ufone/Ubank.
- Company attributed sustainable growth in revenue to strong performance in fixed broadband, mobile data, business solutions and banking services.
- PTCL and Ubank reported profitability of Rs3.6bn (up 187% YoY) and Rs140mn (up 65% YoY), respectively. Whereas, Ufone posted loss of Rs7.6bn in 1QCY23.
- Management shared that impact of external factors, such as PKR devaluation and interest rates, is Rs5.9bn on company's profitability during the quarter.
- PTCL segment, reported revenue of Rs22.9bn, up 17% YoY, against Rs19.6bn last year. Bifurcating the growth, Wireline Data/Retail/Corporate & Wholesale/International segment posted growth of 17%/10%/29%/24% YoY whereas, Wireless Data and Voice revenue declined 24% YoY and 9% YoY in 1QCY23.
- According to management, aggressive FTTH rollout accompanied with improved customer experience has been key to double digit revenue growth.
- PTCL has doubled its FTTH subscriber base, and continues to grow in the business solutions segment with continued focus on data, managed services and cloud services.
- In 1QCY23, FTTH revenue has doubled, up 116% YoY, with significant increase in its market share by 8%.
- PTCL segment EBITDA remain unchanged at 26% in 1QCY23. Subsequently, PTCL segment EBITDA increased to Rs5.9bn, up 17% YoY, which propelled profitability of the segment to Rs5.4bn, up 187% YoY.
- Ufone topline grew by 20% YoY with significant increase in 4G data customer penetration and data traffic backed by 4G spectrum acquisition, multiple marketing initiatives and additional network rollout.
- Management also discussed 0.6ppt increase in market share of Ufone in 1QCY23 as it achieved 24mn subscribers and disclosed that Ufone 4G data subscribers increased by 42% YoY.
- Ufone achieved the 2nd highest customer net adds in the industry during 1QCY23.
- Company's management also discussed performance of Ubank and disclosed that bank profitability increased by 65% YoY in 1QCY23 to Rs140mn. Furthermore, Ubank revenue increased by 73% YoY in 1QCY23 as its deposit base increase by Rs30bn and its loan portfolio increased by Rs19bn.
- Furthermore, Ubank processed 82% of its fresh loans through Digital Loan acquisition app.
- Ubank deposit customers reached 4mn with deposits of Rs84bn while bank loan customers base is of 391k with total lending portfolio of Rs57bn in 1QCY23.

- Majority (56%) of the Ubank lending portfolio is secured via Gold backed loans.

Outlook

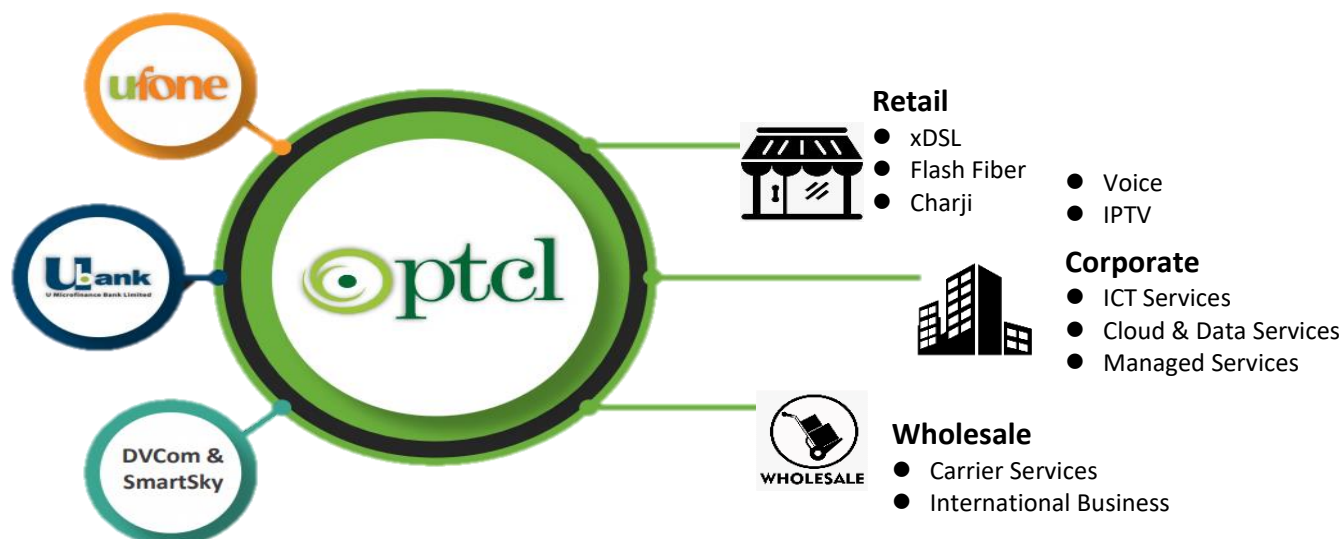
- The company is not under our formal coverage. However, we expect PTC to benefit from (1) increasing penetration of Ubank, (2) growth in wireline data and corporate sales, and (3) rebound in Ufone profitability due to increased 4G penetration.

Table 1: PTC 1QCY23 Consolidated Financial highlights (Rs mn)

Income Statement (Rs mn)	1QCY23	1QCY22	YoY
Net Sales	43,187	35,051	23%
COGS	34,631	27,299	27%
Gross Profit	8,556	7,752	10%
Administrative expenses	5,676	4,610	23%
Sales expenses	2,506	2,161	16%
Impairment loss on trade debts and contract assets	696	668	4%
EBIT	(321)	313	-203%
Other Income	14,669	3,565	311%
Finance Cost	22235	6039	268%
PBT	(7,888)	(2,160)	265%
Tax	(2,173)	(602)	261%
Net Profit	(5,715)	(1,558)	267%
EPS	(1.51)	(0.41)	
Gross Margins	19.81%	22.12%	
Operating Margins	-0.74%	0.89%	
Net Margins	-13.23%	-4.45%	

Source: Company Accounts, Foundation Research, May 2023

Fig 1: Business structure of PTC



Source: Company Accounts, Foundation Research, May 2023

About the company

Pakistan Telecommunication Company Limited (PTCL) is the largest integrated Information Communication Technology (ICT) company of Pakistan. With a humble start from a telephone and telegraph department in 1947, it has evolved to offer latest digital and telecommunication technologies today. With the largest fixed line network of the country, PTCL offers products and services like high-speed Broadband internet, Charji wireless internet, Smart TV (IPTV) service, over-the-top (OTT) applications like Smart Link App, Smart TV App and Touch App, and world class digital content like Netflix, iflix and icflix. PTCL's enterprise grade platforms like Smart Cloud, Tier-3 Certified Data Centers, Managed Services and Satellite Services are meeting the connectivity needs of organizations and enabling businesses to operate more efficiently. It is largest fiber cable network that spans from Khyber to Karachi and submarine cables connecting Pakistan to the world.

Auditors: KPMG Taseer Hadi & Co Chartered Accountants

Table 2: PTC key personnel

Key Personnel	Name	Designation
Board of Directors	Mr. Navid Ahmed Shaikh	Chairman
	Mr. Abdulrahim Abdulla Abdulrahim Al Nooryani	Director
	Mr. Ahad Khan Cheema	Director
	Dr. Ahmed Mujtaba Memon	Director
	Hamed Yaqoob Sheikh	Director
	Mr. Hatem Dowidar	Director
	Mr. Mikhail Gerchuk	Director
	Dr. Karim Bennis	Director
	Mr. Burak Sevilengul	Director
Management	Mr. Hatem Mohamed Bamatraf	President & CEO
	Mr. Nadeem Khan	Chief Financial Officer
	Ms. Saima Akbar Khattak	Company Secretary

Source; Company Accounts, Foundation Research, May 2023

Categories of Shareholders	Shares Held	Percentage
President of Pakistan	3,171,067,993	62.18
Associated Companies, Undertakings and related Parties	1,326,000,000	26.00
Banks, DFIs, NBFCs	108,462,587	2.13
Insurance Companies	105,681,936	2.07
Modarabas and Mutual Funds	9,331,743	0.18
Individuals local	245,033,560	4.80
Others	134,422,179	2.64
Total	5,100,000,000	100.00

Source: Company Accounts, Foundation Research, May 2023

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Important disclosures:

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.