



# IBSL EQUITY NOTE



**DSE Code :** GP

**Scrip Code :** 27001

**Bloomberg Code :** GRAM:BD

**Sector :** Telecommunication

## GRAMEENPHONE



Md Nasim Mahmud

ibsl.nasimmahmud@gmail.com

### COMPANY SYNOPSIS

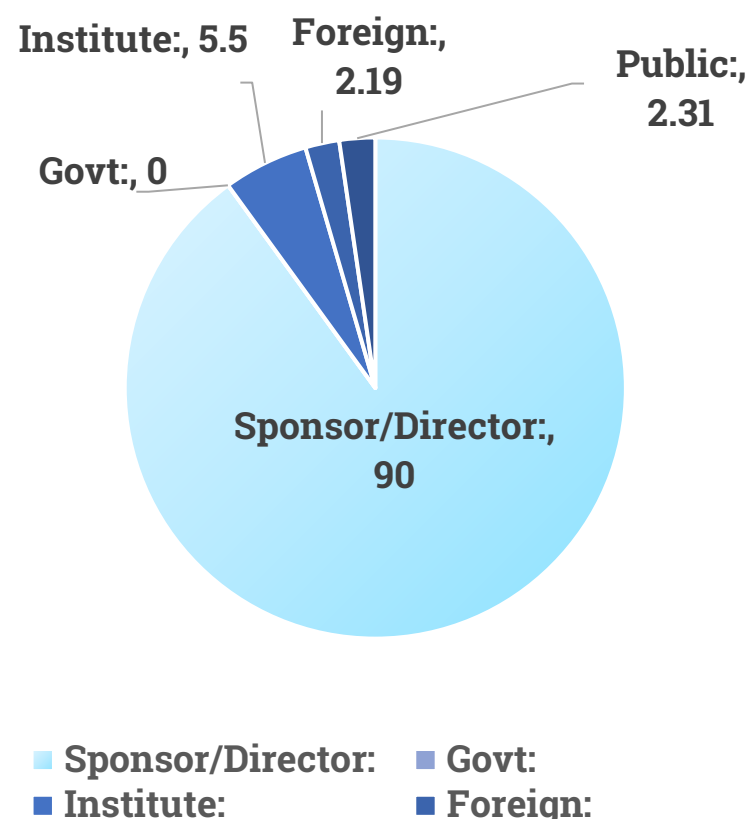
Grameenphone Ltd. leads the telecommunication sector in Bangladesh with 46.5% subscriber market share. It has been leading the industry in almost every aspects such as subscription, revenue, cost leadership, profitability and innovation. The service portfolio of the operator mainly concentrated on voice and data segment only with almost 95% of total revenue contribution. The journey of Grameenphone as a telecom brand in Bangladesh started on 26th March 1997 with an aim to empower the rural population of Bangladesh with network connectivity. It was the first telecom operator to launch pre-paid services in the country and the first telecom company to become listed with the capital market and has been maintaining highest market capitalization in DSE since its listing. Currently, Telenor Mobile Communications AS, Norway owns 55.8% ownership while Grameen Telecom, Bangladesh holds 34.2% ownership of the company.

The company grew at a rate of 5.9% over the last 5 years while its bottom-line also witnessed 13.5% CAGR during the same period. GP's unique ability to control operating costs with higher efficiency led to significant improvement in profit margins that ultimately resulted into noticeable improvement in net profit margins. OPEX to sales reduced to 31.3% in 2020 against 36.4% in 2015 and CAGR in net revenue during the same period was 13.5%. Efficiency in management of operating cost has been acting as the key catalyst for sound improvement in bottom-line over the years. Though ARPU experienced downtrend, stability in APPM and robust data consumption growth contributing towards improvement in EBITDA margin (53.4% in 2015 to 62.4% in 2020). GP's unstoppable business growth is mostly supported by seasoned management expertise, brand loyalty, innovation in product and service offerings and growing reliance on technological solution in designing business strategy. The company's growing contribution from data indicates steady growth potential in near future. Contribution of data revenue increased to 24.4% in 2020 from only 8.1% in 2015 with 32% CAGR in data revenue against 5.9% CAGR in total revenue. Currently, the country's total internet penetration rate is 59.5% and internet penetration rate of GP is only 24%.

### TABLE : COMPANY SUMMARY

<b>Paid-up Capital (BDT mn)</b>	13,503.00
<b>Total No. of Securities</b>	1,350,300,022
<b>Free Float</b>	2.31%
<b>Market Capitalization (BDT mn)</b>	386,995.99
<b>52 Week Price Range (BDT)</b>	277.00 - 369.20
<b>Category</b>	A
<b>Financial Year End</b>	December
<b>Sector</b>	Telecommunication

### SHAREHOLDING PATTERN





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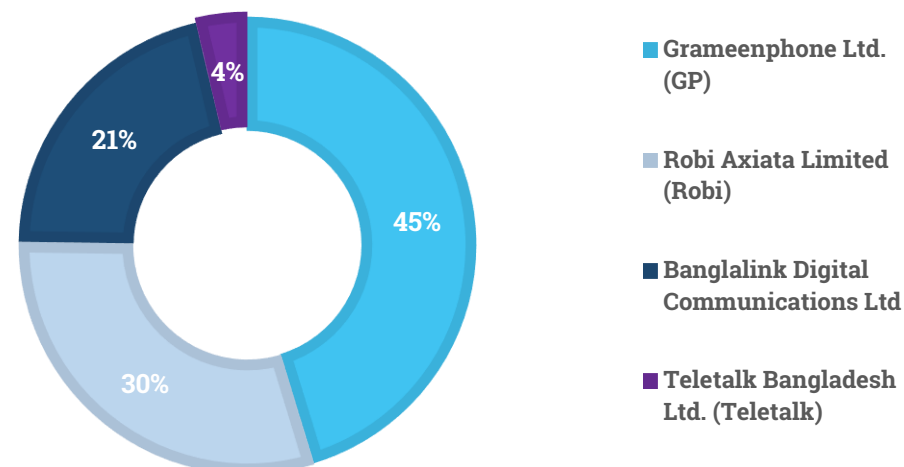
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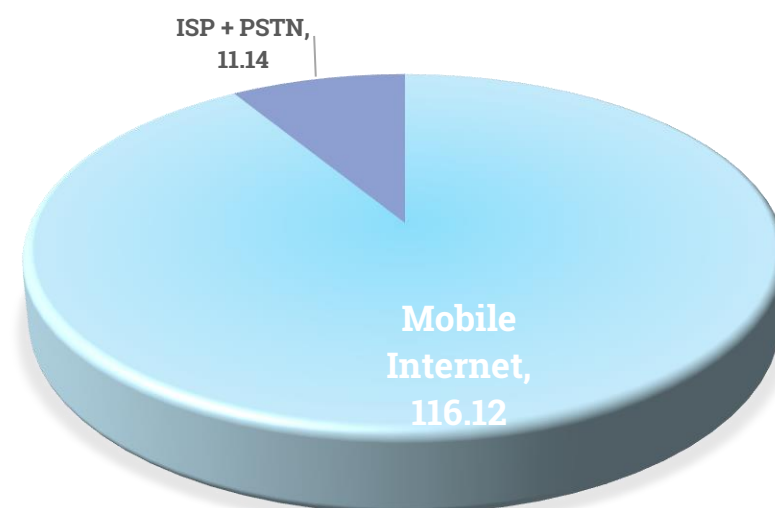
### Industry Insights

- Grameenphone and Robi are the two leading companies in Bangladesh's telecom sector. Price rivalry in the business has been fierce despite the presence of only a few firms.
- As a key service, the telecom sector continued to function during the pandemic. As a result, all business operations remained consistent with the exception of physical client onboarding and physical recharge.
- Information has been the industry's main engine in recent years. Data usage has been fast increasing due to changing lifestyles, increased smartphone adoption, and higher 4G conversion, in addition to an increase in the number of data consumers..
- Corporations have not been able to fully translate the increase in data usage into increased income as a result of pricing competition.
- To ensure optimal tower usage and reduce wastage of land and electricity, regulators are likely to support the selling of network towers to tower sharing firms..
- 5G experiments were launched by state-owned Teletalk in December 2021. Since 4G penetration is still low, a widespread 5G rollout is unlikely to occur in 2019.

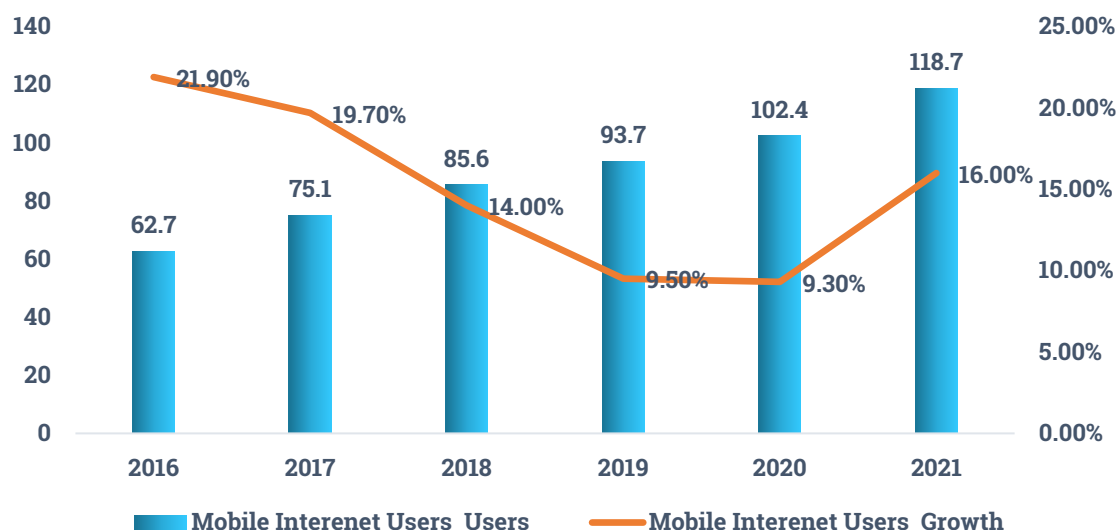
### Market Share



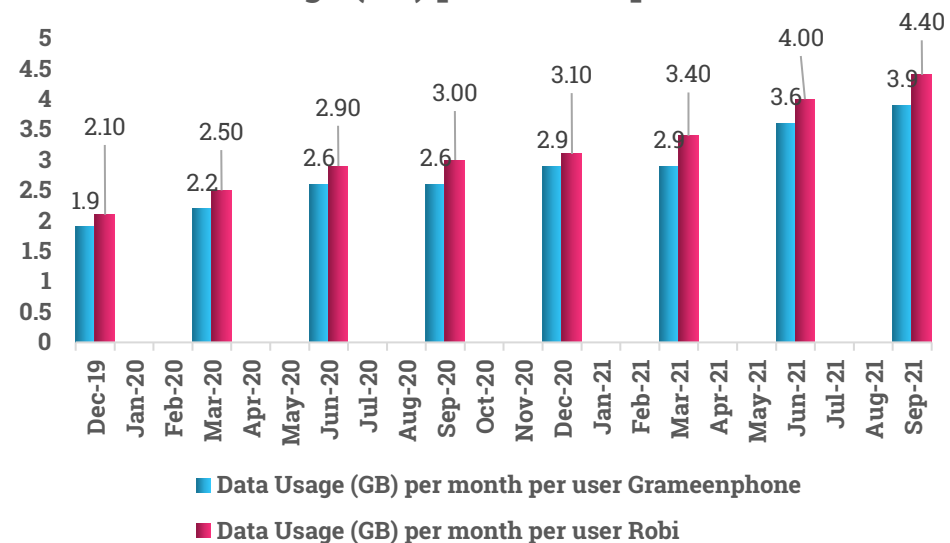
### Internet Users (In millions)



### Mobile Internet Users



### Data Usage (GB) per month per user





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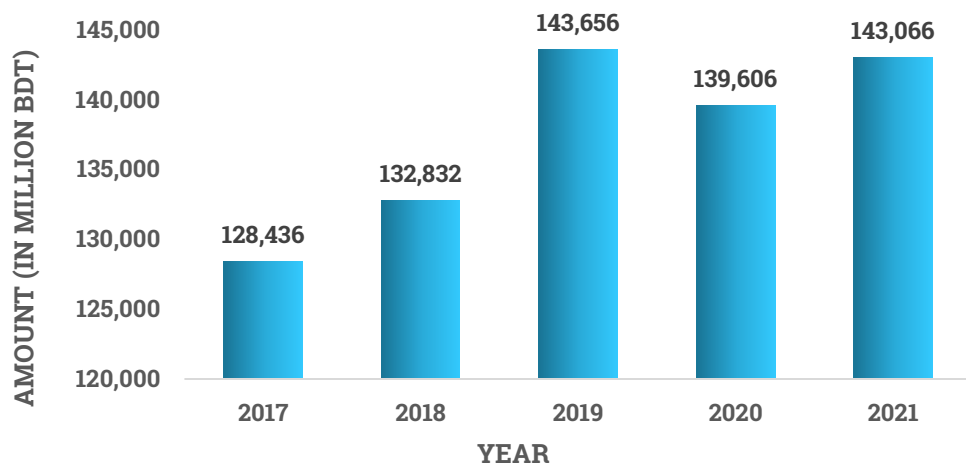
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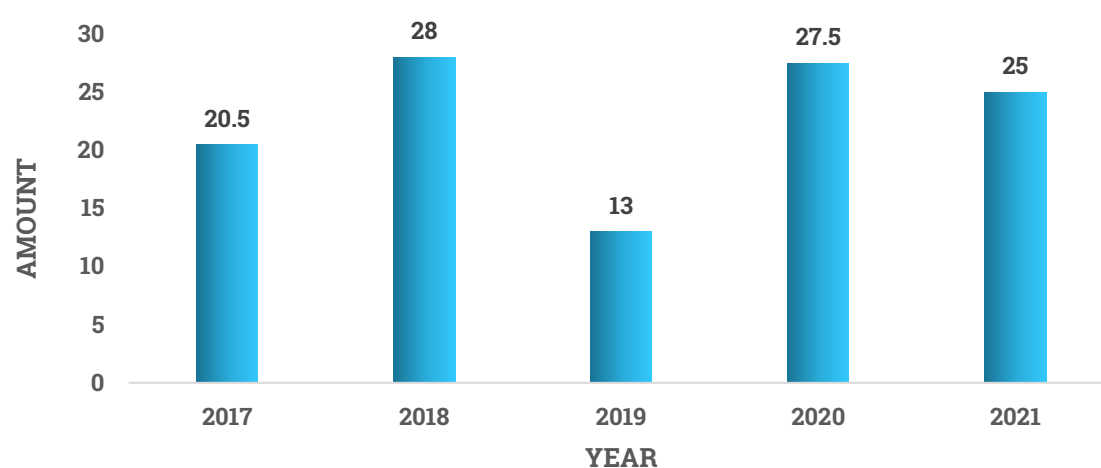
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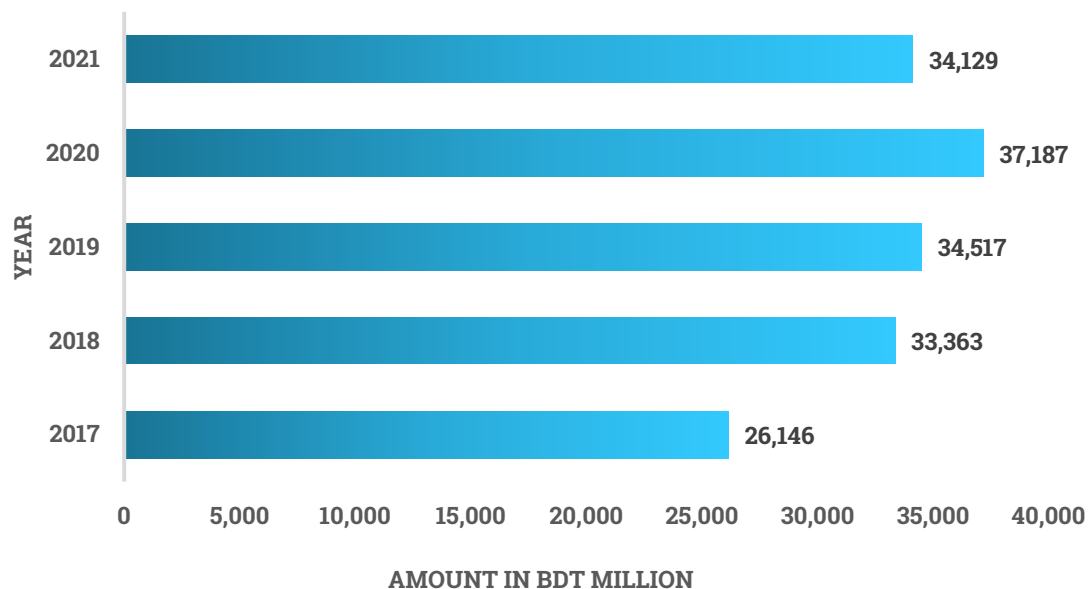
**Revenue Amount**



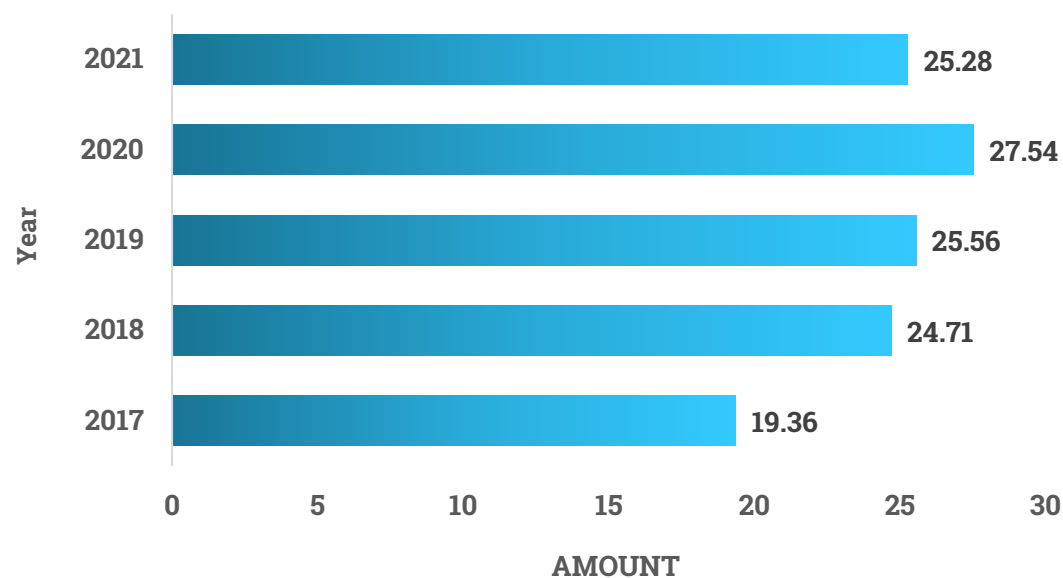
**Dividend (Per share) Amount**



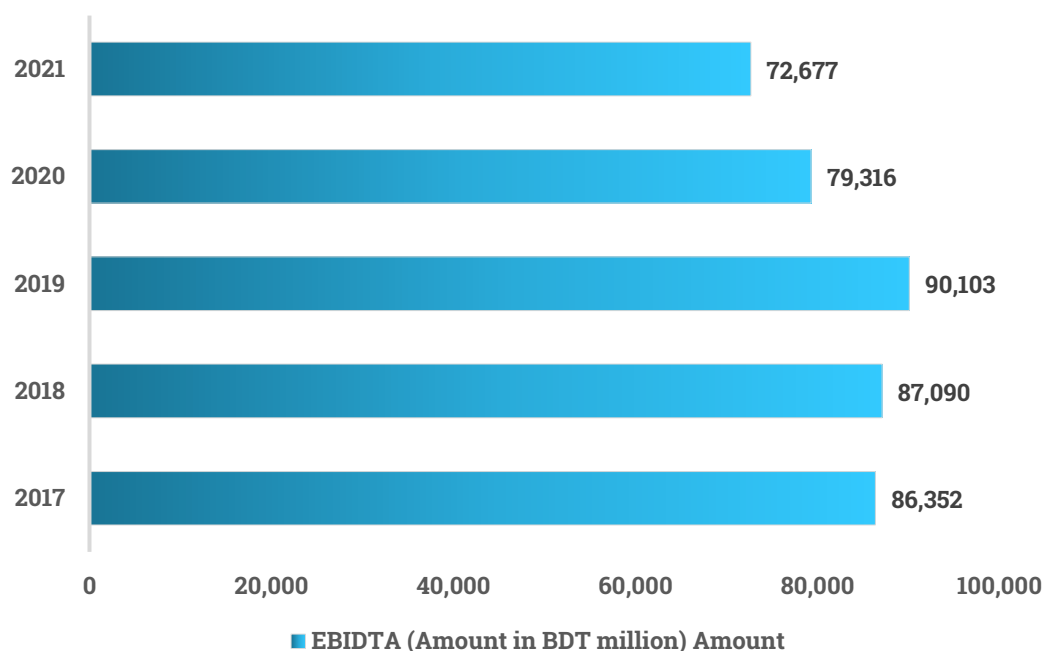
**NET PROFIT**



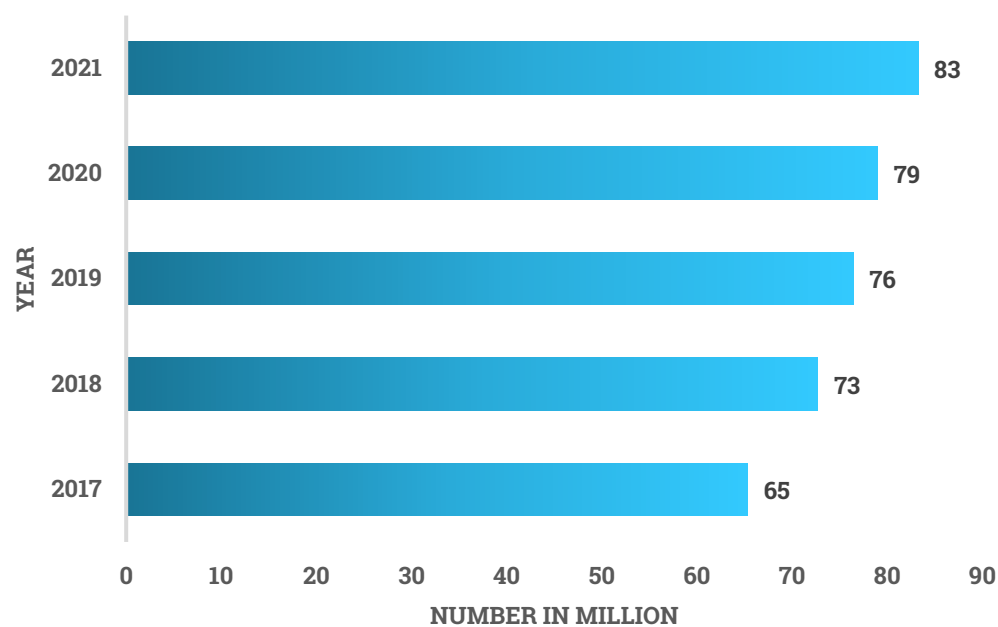
**Earnings Per Share Amount**



**EBITDA**



**SUBSCRIBER**





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### Financial Information

Particulars	2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(BDT in millions)								
Subscription and traffic	32,970	33,782	34,334	34,257	34,492	35,967		
Interconnect revenues	1,301	1,323	1,357	1,324	1,271	1,270		
<b>Mobile revenues company's subscriptions</b>	<b>34,271</b>	<b>35,105</b>	<b>35,691</b>	<b>35,581</b>	<b>35,763</b>	<b>37,237</b>		
Other mobile revenues	63	50	41	64	69	61		
<b>Total mobile revenues</b>	<b>34,334</b>	<b>35,155</b>	<b>35,732</b>	<b>35,645</b>	<b>35,832</b>	<b>37,298</b>		
Non-mobile revenues	479	607	477	637	503	585		
<b>Total revenues</b>	<b>34,813</b>	<b>35,763</b>	<b>36,209</b>	<b>36,281</b>	<b>36,335</b>	<b>37,883</b>		
<b>EBITDA</b>	<b>21,653</b>	<b>21,675</b>	<b>21,780</b>	<b>21,244</b>	<b>21,103</b>	<b>23,016</b>		
Depreciation and amortization	5,456	5,884	6,023	5,651	6,326	6,613		
<b>Operating profit</b>	<b>16,198</b>	<b>15,791</b>	<b>15,757</b>	<b>15,593</b>	<b>14,777</b>	<b>16,403</b>		
<b>EBITDA/Total revenues (%)</b>	62.2%	60.6%	60.1%	58.6%	58.1%	60.8%		
<b>Operating profit/Total revenues (%)</b>	46.5%	44.2%	43.5%	43.0%	40.7%	43.3%		
<b>Capex including ROU (Excluding license &amp; spectrum fees)</b>	<b>4,603</b>	7,463	<b>4,016</b>	<b>10,172</b>	<b>5,916</b>	<b>8,188</b>		
<b>Capex (Excluding ROU, license &amp; spectrum fees)</b>	<b>3,617</b>	5,185	<b>1,916</b>	<b>6,739</b>	<b>3,919</b>	<b>5,602</b>		
No. of mobile subscriptions (100% in thousands)	80,747	82,025	83,581	83,263	83,717	84,649		
- of which prepaid	79,110	80,276	81,805	81,433	81,800	82,520		
Average traffic minutes per subscription per month (AMPU) in the quarter	207	205	202	199	197	198		
Average revenue per subscription per month (ARPU) in the quarter	143	144	144	142	143	147		
- of which contract	315	305	297	288	278	276		
- of which prepaid	138	139	139	137	139	143		
AMBPU	2,921	3,501	3,849	4,393	5,208	5,520		
Revised AMBPU	2,945	3,609	3,935	4,312	N/A	N/A		
Total Assets	155,330	164,711	159,978	163,007	166,740	170,258		
Shareholders' equity	61,014	49,940	41,618	49,879	57,977	50,304		
Total Liabilities	94,317	114,772	118,360	113,128	108,764	119,954		



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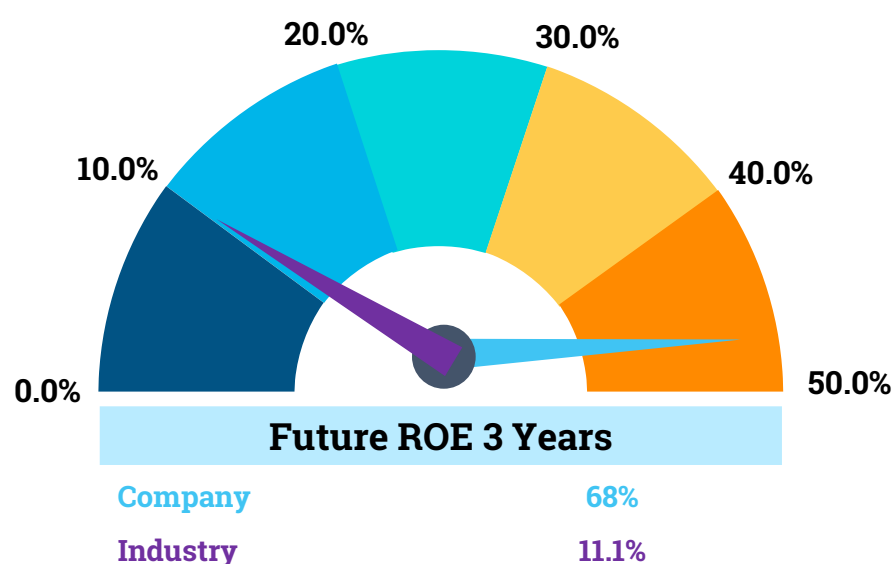
### Shareholder Returns

	GP	BD Wireless Telecom Industry	BD Market
7 Day	0.0%	0.7%	-0.7%
30 Day	0.0%	0.5%	-2.3%
90 Day	0.1%	0.5%	3.2%
1 Year	-18.50%	-1.40%	-12.20%
3 Year	-11.0%	0.70%	26.40%
5 Year	-34.60%	-12.80%	4.60%

### Price Volatility

GP is less volatile than 75% of BD stocks over the past 3 months, typically moving +/- 2% a week. GP's weekly volatility (2%) has been stable over the past year.

### Future Return on Equity



### Positives for Investment

- Efficiency in controlling OPEX even in a difficult business environment while managing steady growth in subscriber acquisition, revenue, and net profit.
- The company has an advantage over its competitors thanks to a strong brand image and an engaged subscriber base. GP now possesses a total of 47.4 MHz spectrum, the highest in the business, and recently paid \$391.15 million for 10.4 MHz of new spectrum.
- Handsome dividend payout policy (nearly 100% each year). Trading at good value vs industry price to earnings ratio. Trading at good value vs peer average price to earnings ratio.

### Risks for Investment

- Voice call service usage and income are declining (6.6% YoY revenue decline in 2020) as a result of increased OTT platform use and expensive voice call rates.
- The increasing use of ISP/PSTN broadband internet services could have a detrimental impact on cellular data usage over the long term.
- Long-term business shrinking may result from a failure to successfully diversify operations in new and innovative segments. The market value of GP is declining due to regulatory demands and continuous disputes between the operator and the regulator. Any unfavorable resolution of the ongoing litigation could result in a major financial burden for the business and value degradation. Due to the operator's enormous market strength, the regulator may at any point impose stricter corporate regulations (SMP).



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*Data Source: Company Website*

## Analyst

Md Nasim Mahmud

Research Analyst

+8801788569455

Ibsl.nasimmahmud@gmail.com

## Contact

*Islami Bank Securities Limited*

*20 Dilkusha C/A (5th floor), Motijheel, Dhaka-1000, Bangladesh*

*Phone : 02-47119116, 02-47119021, 02-47119153*

*Head Office Customer Service :01709 - 638 717*