Dialog Axiata PLC

Sri Lanka's Premier Connectivity Provider

Q2 2019

Dialog Group Performance

Dialog Axiata Company Performance

Subsidiary Performance

Dialog Group Performance Highlights – Q2 2019

Delivered Strong 1H Results; QoQ Performance Impacted by Easter Sunday Incidents and Intense Competition

YTD		QoQ	YoY
+10%	**Revenue** **Q2 19 - Rs29.1Bn** **1H 2019 – Rs58.1Bn**	+0.2%	+9%
+11%	**EBITDA** **Q2 19 – Rs11.0Bn** **1H 2019 - Rs23.1Bn**	-9%	+5%
+5%	EBITDA (Norm) [1]	*-9%*	*-1%*
+21%	**PAT** **Q2 19 - Rs2.0Bn** **1H 2019 – Rs6.9Bn**	-59%	-30%
-12%	PAT (Norm) [2]	*-41%*	*-35%*

Capex Investments Directed to Fulfil Growing Demand for Data

PoP Coverage
Mobile 4G - 91%
Fixed 4G - 68%

1H 2019 Capex Spend
Rs8.7Bn

Capex Intensity
15%

Significant YoY Growth in Mobile Data Consumption driven by both usage growth and acquisition of new data customers

All Business Segments Delivered Strong Performance

Mobile – **Data Continues Growth Momentum 16% YTD | 3% QoQ | 11% YoY**

TV – **EBITDA Expands in 1H 19 and Q2 19 3% YTD | 27% QoQ | 24% YoY**

Fixed – **1H 2019 PAT reached Rs752Mn**

Aggressive Subscriber Growth

Mobile – **Reached 14.4Mn Subscribers**
+1% QoQ | +9% YoY

TV – **Reached 1.3Mn Households** by end 1H 2019
+11% QoQ | +27% YoY

Fixed – **Home BB Sub Base**
+30% YoY

Achievements

BrandFinance recognised Dialog as **Sri Lanka's Most Valuable Brand** for 2019 with a valuation of Rs54.2Bn whilst according the title 'Top Telecommunications Brand' for 10 years'

[1] Norm for SLFRS 16   [2] Normalised for non-cash translational forex loss

Group Financial Summary

Rs Mn	1H 2019	YTD	2Q 19	QoQ	YoY
Revenue	58,104	10%	29,080	0.2%	9%
EBITDA	23,126	11%	11,048	-9%	5%
PAT	6,874	21%	1,995	-59%	-30%
EBITDA Margin	*39.8%*	*0.3pp*	*38.0%*	*-3.6pp*	*-1.5pp*
PAT Margin	*11.8%*	*1.0pp*	*6.9%*	*-9.9pp*	*-3.8pp*
ROIC	*12.7%*	*-2.8pp*	*12.7%*	*-2.5pp*	*-2.8pp*

Normalised Performance

	1H 2019	YTD	2Q 19	QoQ	YoY
EBITDA[1]	21,850	5%	10,410	-9%	-1%
PAT [2]	5,645	-12%	2,090	-41%	-35%

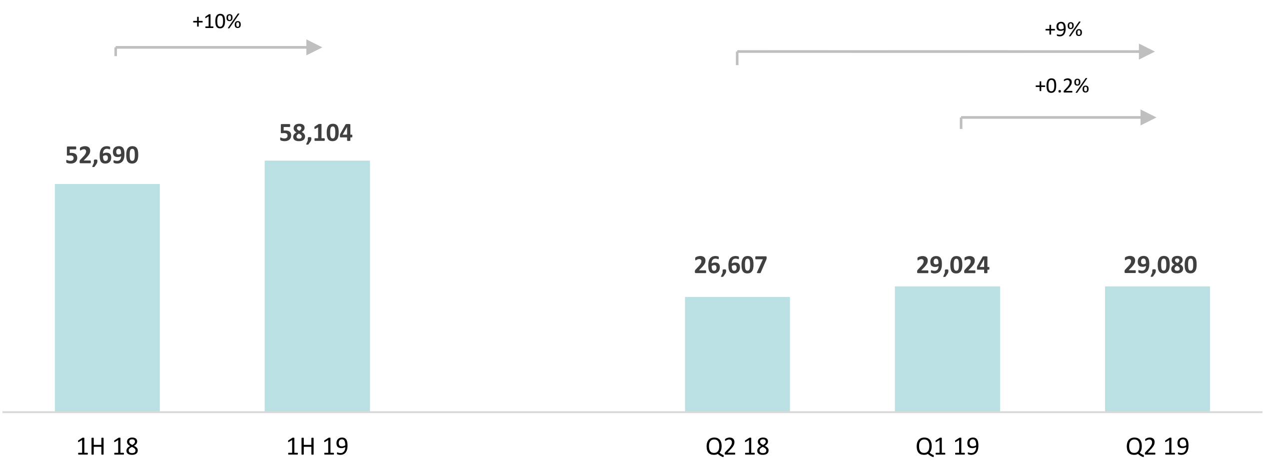
1. **Easter Sunday Incidents leading to social media blockage and business slowdown impacting revenue and cost**
2. **Aggressive competition and constrained consumer spending leading to challenges in core revenue growth**
3. **Positive Impact from SLFRS 16 on EBITDA Rs1.3Bn; Upside on EBITDA Margin 2.2pp**

[1] Norm for SLFRS 16

[2] Norm for non-cash translational forex losses/gains

Group Revenue Records Positive Growth on YTD and YoY basis; QoQ Growth Stalled due to Easter Attacks and Business Slowdown; Aggressive Competition led Re-Pricing and Constrained Consumer Spending Challenging Core Revenue Growth

Positive Revenue Performance YTD and YoY; Negative Externalities Affecting QoQ Growth



Growth in Mobile Revenue up 2% YTD and down 2% QoQ, with **Mobile Data Revenue growing 16% YTD and 3% QoQ** driven by increased data subscribers and 4G conversion; **Voice revenue up 1% YTD and down 5% QoQ**

International Revenue grew 54% YTD and 8% QoQ led by significant growth in **Wholesale Revenue**

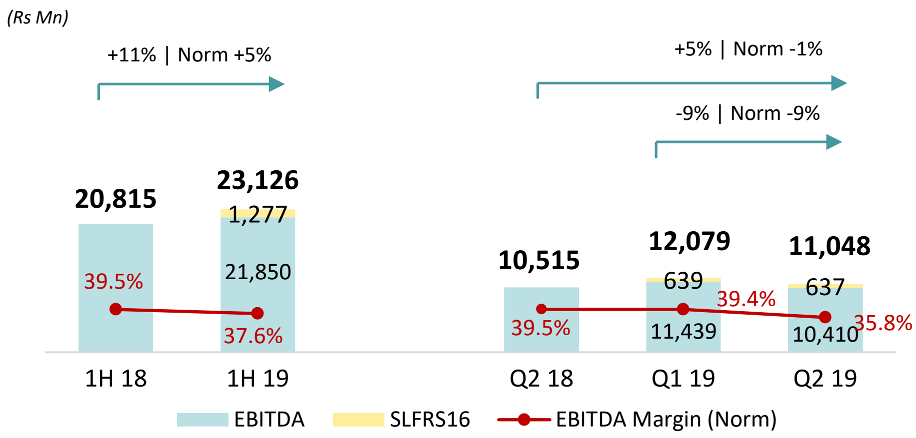
Fixed Home Broadband Revenue continued its growth trajectory up 10% YTD supported by expanding Fixed 4G LTE network coverage and subscriber acquisitions

Television Revenue grew 17% YTD and 5% QoQ driven by increase in subscriptions

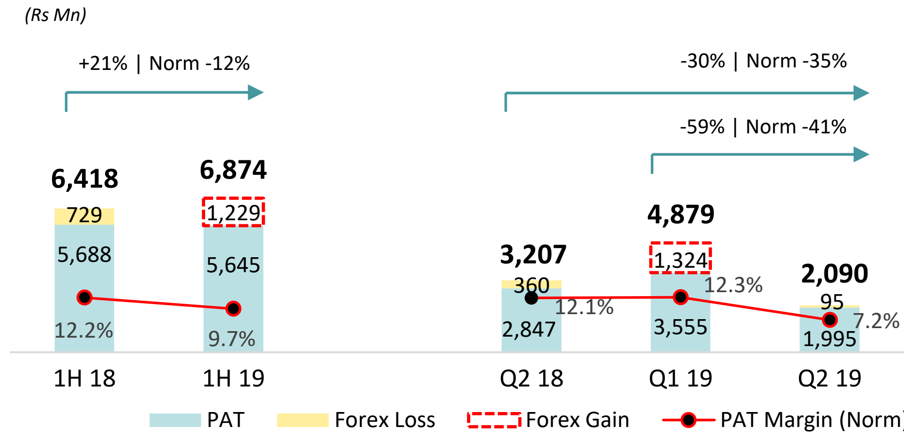
[1] Excludes Tele-Infra and International Revenue

Group Profitability Impacted by Revenue Challenges due to Macro Issues

Revenue and Cost Challenges in Q2 19 Leading to Slowdown in EBITDA Performance



Norm. for forex PAT impacted by Slowdown in EBITDA Growth and Higher Depreciation

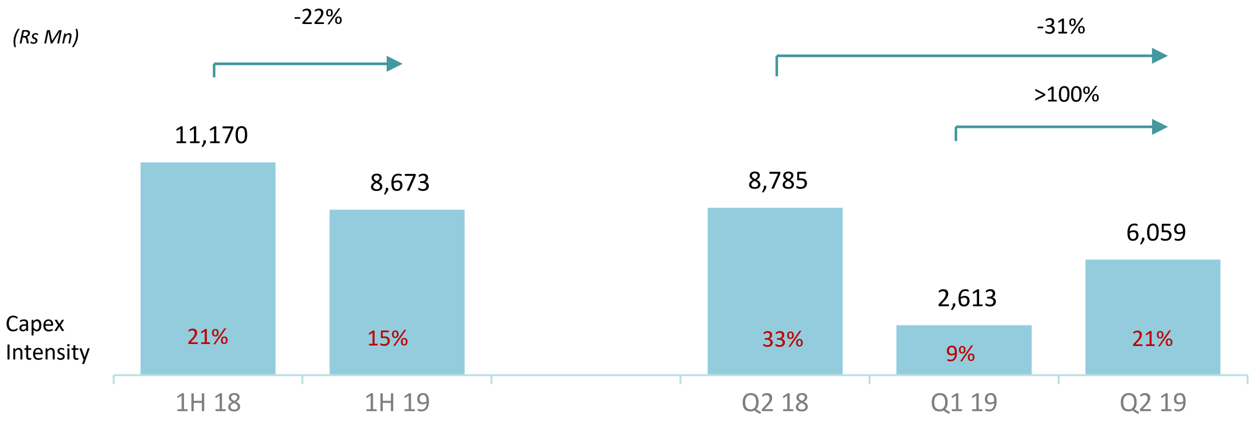


Total Cost to Revenue Ratio Increase 3.6pp QoQ; Total Cost Reduced by Rs1.3Bn in 1H 19 as a Result of SLFRS 16

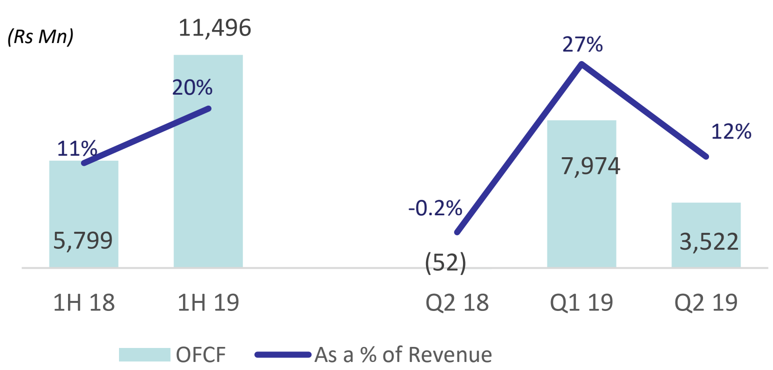
	Q2 19	As % of revenue	Q1 19	As % of revenue	Q2 18	As % of revenue	YTD 19	As % of revenue	QoQ	YoY	YTD
Total Cost	**Rs18,032Mn**	**62.0%**	**Rs16,945Mn**	**58.4%**	**Rs16,244Mn**	**61.1%**	**Rs34,977Mn**	**60.2%**	3.6pp	0.9pp	-1.2pp
Direct Expenses		27.0%		25.8%		26.6%		26.4%	1.2pp	0.4pp	-0.4pp
Sales & Marketing		9.9%		9.5%		10.5%		9.7%	0.4pp	-0.6pp	-1.0pp
Network Cost		11.7%		9.7%		12.0%		10.6%	2.0pp	-0.3pp	-1.3pp
Staff Cost		8.5%		8.2%		7.9%		8.4%	0.3pp	0.6pp	0.4pp
Overheads		3.2%		3.9%		2.9%		3.6%	-0.7pp	0.3pp	0.9pp
Bad Debt		1.7%		1.3%		1.2%		1.5%	0.4pp	0.5pp	0.2pp

Focused Capex Investments to Support Rapid Growth in Data
Capex Intensity at 15% for 1H 2019.. OFCF Increased to 11.4Bn

Capex Investments Directed Towards Expanding Data Network; Mobile 4G and Fixed LTE PoP Coverage Reached 91% and 68% Respectively



Positive OFCF in 1H 19 Driven by Calibrated Capex Spend and Focused Working Capital Management



Capex spend of Rs8.7Bn for 1H 2019 directed mainly towards investments in High-Speed Broadband infrastructure consisting of capacity upgrades and LTE focused coverage expansion

Investment in Data Infrastructure includes:

- 4G capacity upgrades
- 4G coverage expansion

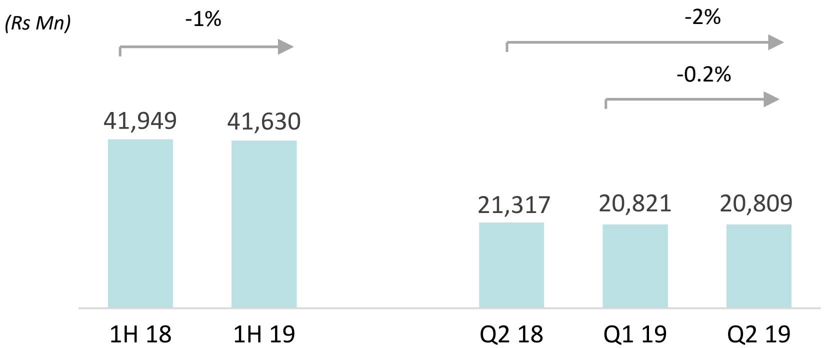
Group's Net Debt to EBITDA Remained Healthy at 0.91x

(Rs Mn)	30 June 19	31 Mar 19	30 June 18
Gross Debt	51,103	44,542	42,291
Net Debt	42,050	39,383	36,669
Cash and Cash Equivalents	9,053	5,159	5,623
Gross Debt / Equity (x)	*0.73*	*0.62*	*0.65*
Gross Debt/ EBITDA (x)	*1.10*	*0.92*	*1.02*
Net Debt/ EBITDA (x)	*0.91*	*0.82*	*0.88*

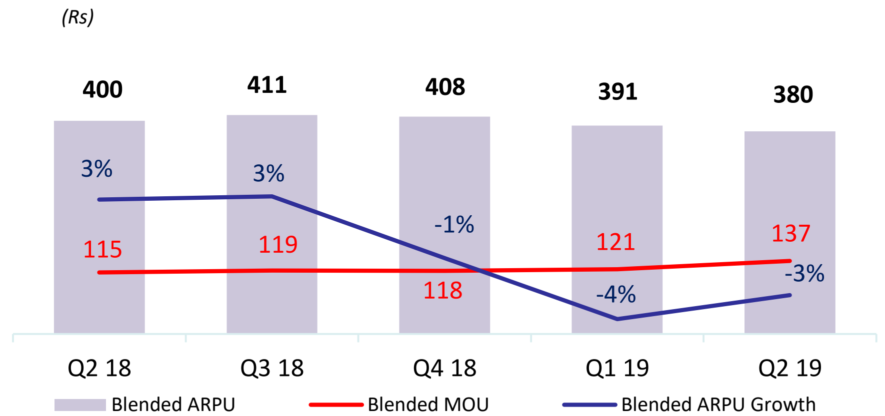
The Low Geared Balance Sheet Structure Demonstrates the Group's Financial Strength and Capacity to Drive Business Growth via Timely and Aggressive Investments

Dialog Axiata PLC (Company)
Dialog Continues to Capture Market Share amid Aggressive Competition

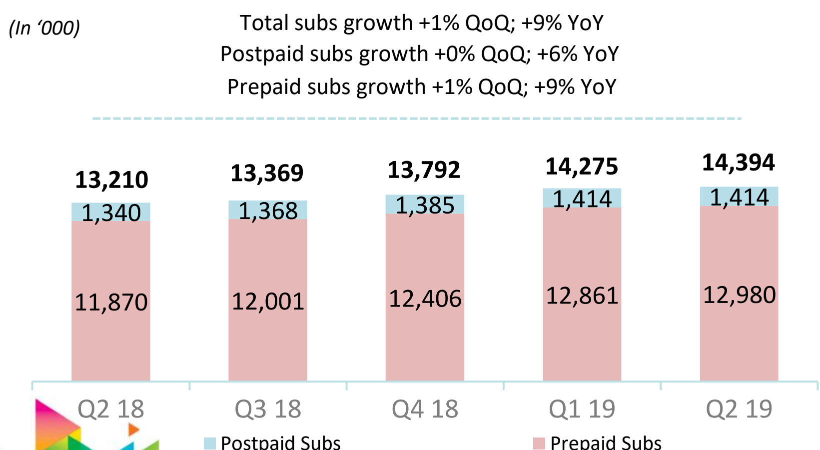
Subdued Growth due to Core Revenue Challenges and Contraction in Wholesale Revenue



Significant Improvement in MOUs; ARPU declined 3% owing Challenged Core Revenue Performance



Subscriber Growth Driven by Customer Acquisition and Retention Initiatives



Profitability Challenged in Q2 2019 due to Pressure on Core Revenue Growth and Escalating Cost/Depreciation

RsMn	YTD 19	YTD	Q2 19	QoQ	YoY
EBITDA	17,640	12%	8,292	-11%	3%
PAT	6,824	32%	2,066	-57%	-23%
EBITDA Margin %	*+42.4%*	*+4.8pp*	*+39.8%*	*-5.0pp*	*+2.0pp*
PAT Margin %	*+16.4%*	*+4.1pp*	*+9.9%*	*-12.9pp*	*-2.6pp*

Dialog Group Performance

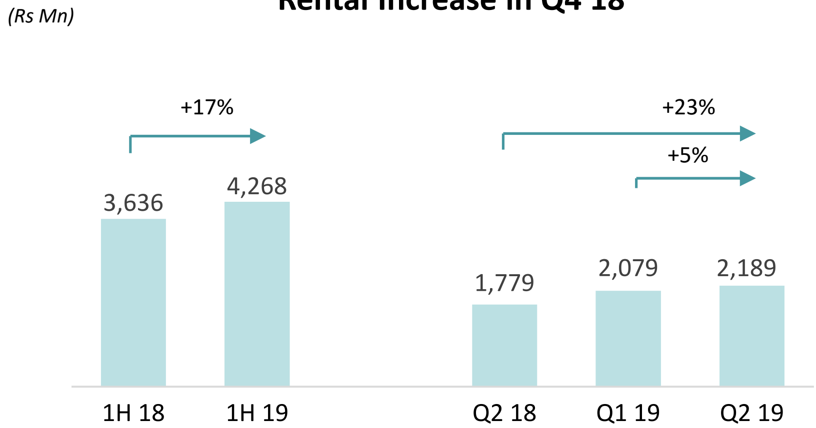
Dialog Axiata Company Performance

Subsidiary Performance

Dialog Television

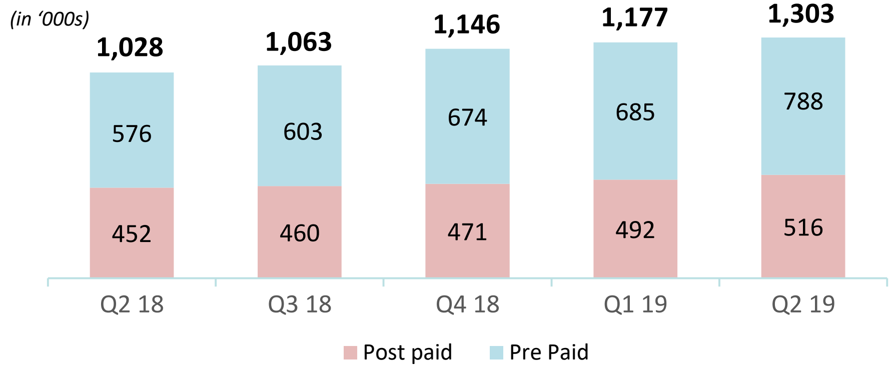
Increased Subscribers Driving Revenue and Profitability

Growth in Subscription Revenue Driving Top Line Performance; YTD Performance also Supported by Rental Increase in Q4 18



Subscriber Growth led by Prepaid and Postpaid with Improved Churn Management Drives

Total subs growth +11% QoQ; +27% YoY
Postpaid subs growth +5% QoQ; +14% YoY
Prepaid subs growth +15% QoQ; +37% YoY



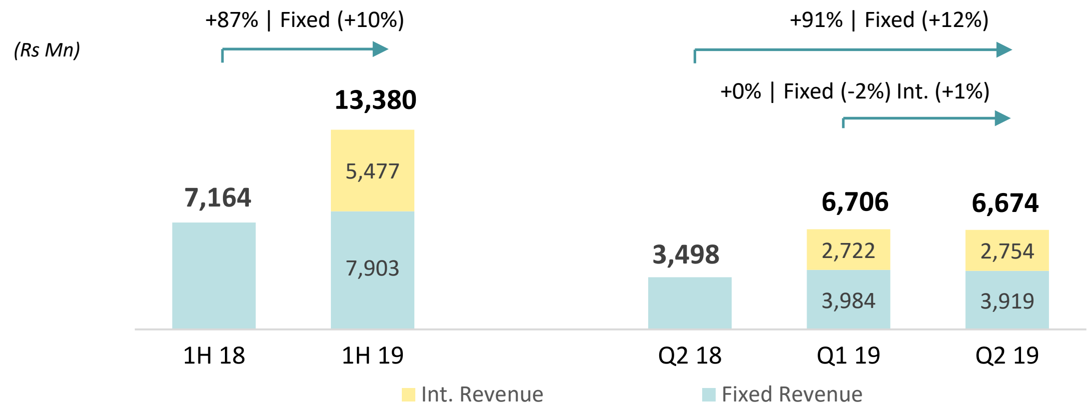
Profitability Improvement Underpinned by Subscription Revenue led top Line Growth and Cost Management Initiatives

(Rs Mn)	YTD 19	YTD	Q2 19	QoQ	YoY
EBITDA	1,076	3%	602	27%	24%
PAT	-269	-5%	-103	38%	21%
EBITDA Margin %	*+25.2%*	*-3.5pp*	*+27.5%*	*+4.7pp*	*+0.2pp*
PAT Margin %	*-6.3%*	*+0.7pp*	*-4.7%*	*+3.3pp*	*+2.6pp*

Dialog Broadband Networks – Fixed Business

Fixed Business Continuing to Deliver Positive EBITDA and PAT

Strong Revenue Growth Supported by Int. Wholesale Business; Fixed Revenue up 10% YTD albeit Declining QoQ due to Macro Challenges



	1H 18	1H 19	Q2 18	Q1 19	Q2 19
International Revenue %	0%	41%	0%	41%	41%

EBITDA Records Strong Performance on YTD and YoY basis albeit QoQ Impacted Due to Constrained Consumer Spend led Top line Challenges; PAT Performance Impacted by Higher Depreciation Owing to Fixed LTE Network Expansion

(Rs Mn)	**YTD 19**	**YTD**	**Q2 19**	**QoQ**	**YoY**
EBITDA	4,722	11%	2,359	0%	14%
PAT	752	-26%	269	-44%	-34%
EBITDA Margin %	*+35.3%*	*-24.1pp*	*+35.3%*	*+0.1pp*	*-23.6pp*
PAT Margin %	*+5.6%*	*-8.5pp*	*+4.0%*	*-3.2pp*	*-7.6pp*