

SLT Group announces 2nd Quarter 2023 Results

While SLT PLC had 2.4% (Rs.400mn) revenue growth, Mobitel recorded 9.3% (Rs.1,066mn) de-growth during Q2'23 compared to Q2'22. Group revenue therefor decreased by 2.8% (Rs.763mn) Q2'22 to Q2'23. SLT PLC revenue increase was driven by growth in Broadband, IPTV, and Enterprise revenue streams. However, such increase was slowed down due to decrease in International Transit revenue (90.3%, Rs.614mn) during Q2'23, though it must be noted that such international transit revenue has virtually no margin. SLT PLC revenue growth was primarily hindered due to delay in monetization of fiber network and customer churn. Revenue de-growth in Mobitel was due to significant decline in subscriber base. Subscriber base contracted by 1mn from June 2022 to June 2023.

Group Opex increased by 15.1% (Rs.2,513mn) in Q2'23 compared to corresponding quarter in previous year. Even though Mobitel revenue has declined YoY, Opex increased by 30.4% (Rs.1,998mn) during Q2'23 due mainly to sales related commissions. SLT PLC Opex increased by 5.5% (Rs.619mn) owing to AMC/license cost driven by devaluation of LKR, electricity tariff and fuel price increases.

Group EBITDA dropped by 31.9% (Rs.3,276mn) during Q2'23 due to decrease in Mobitel EBITDA by 61.9% (Rs.3,064mn). Accordingly, Group Operating Profit, PBT and PAT were also decreased by 92.7% (Rs.3,121mn), 161.3% (Rs.6,039mn) and 208.0% (Rs.4,076mn) respectively. Mobitel recorded Rs.835mn Operating loss due to lower revenue and higher Operating costs, ending with a net loss of Rs.1,390mn for the quarter. SLT PLC net loss for the quarter was Rs.1,027mn due to cost escalations and impairment of LTE assets. SLT PLC staff costs account for 36.8% of operating costs.

SLT Group's revenue growth was stagnant for the 1st half of 2023 to record Rs. 52.7Mn, a 0.4% degrowth compared to the same period last year. At a company level, SLT revenues grew by 6.4% to Rs. 34.6Bn for the 1st half of the 2023.

During the 1st half of 2023, Mobitel revenue has contracted by Rs. 2.2Bn compared to revenue for the same period in 2022 and the loss recorded for the period was Rs. 1.5Bn. However, with the recent changes in management, Mobitel has been able to arrest the decline in subscriber base and revenue.

Janaka Abeysinghe, Chief Executive Officer, Sri Lanka Telecom said, "prolonged recovery from the effects of the economic downturn, loss of Mobitel subscriber base, low productivity, and delay in monetization of fiber network have had a significant impact on the revenue generation of the Group. The governments macroeconomic adjustments will help the country's economic revival in the long term but may initially affect business growth and the disposable income levels of our customers. Managing the escalating operational costs, resulting from fluctuations in exchange rates and inflationary conditions etc., is a huge concern. In this context, pricing is key but setting the right price has become increasingly challenging. This situation will add pressure to our revenue generation and topline performance. Under these conditions, the Mobitel turnaround has become an immediate concern. Bank lending rates remaining high in the recent past, has caused margins to erode and made funding extremely difficult. However, with the positive changes adopted by the Central Bank recently, we believe the lending rates will decline. We will continue

to forge ahead, with increased productivity and navigate through the current economic uncertainties. Our commitment to providing innovative solutions and exceptional customer service will remain unwavering.”

SLT Group 2nd Quarter 2023 results have been reviewed by the Auditors, Ernst and Young in accordance with LKAS 34, “Interim Financial Reporting”.