

Flash Note

Wednesday, 08 February 2017

Technology and communication

PTC: VSS cost diluted CY16 earnings, down by 13%YoY to PKR 1.62bn (EPS PKR 0.32)

- Pakistan Telecommunication Company Limited (PTC) reported a decline in earnings of 13% to PKR 1.62bn (EPS PKR 0.32) for CY16 compared to PKR 1.87bn (EPS PKR 0.37) last year.
- The company paid total dividend for the year of PKR 1.0/share during CY16 compared to PKR 2.0/share for CY15.
- On a quarterly basis, company reported a loss of PKR 2.35bn (LPS PKR 0.46) for 4QCY16. The loss is primarily attributable to VSS cost of PKR 4.60bn (after-tax EPS impact of 0.62/share).
- Administration cost decreased by 13%YoY to PKR 4.55bn possibly on the back of cost savings in human resources cost as employees opt for VSS.
- Other income improved by +78%QoQ to PKR 1.66bn, while finance cost declined by 11%QoQ to 0.88bn.

Exhibit:

Financial Highlights

PKRmn	4QCY16	4QCY15	YoY	CY16	CY15	YoY
Net Sales	28,417	28,419	0%	117,202	118,561	-1%
Gross Profit	6,155	6,146	0%	30,509	30,507	0%
S & D Exp	1,460	1,403	4%	7,111	8,209	-13%
Admin Exp	4,552	5,252	-13%	17,287	18,291	-5%
VSS Cost	4,601	0.0	N/M	4,601	0	N/M
Other Income	1,657	933	78%	6,379	5,230	22%
Finance Cost	881	988	-11%	3,629	5,219	-30%
Pre-tax Profits	-3,673	-562	554%	4,269	4,015	6%
Post-tax Profits	-2,347	-919	155%	1,623	1,868	-13%
EPS (PKR)	-0.46	-0.18		0.32	0.37	
DPS (PKR)	0.00	1.00		1.00	2.00	
<i>Key Ratios</i>						
Gross Margins	21.7%	21.6%		26.0%	25.7%	
Net Margin	-8.3%	-3.2%		1.4%	1.6%	
Effective Tax rate	36%	-64%		62%	53%	

Source: IGI Research and Company Financials

Recommendation

We are revising our investment case on PTC.

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Time Horizon: Dec - 2017

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