

Company Note

Analysis
Bancolombia



Surprising Decrease in B2B Revenues Affected 1Q19 Results

ETB: SPECULATIVE OVERWEIGHT TP COP525

- A lower B2B revenues explained the company's revenues decrease QoQ.
- Mobile customers base continued their negative trend since 2Q18.
- Net income for the quarter was slightly positive compared to net losses in 4Q18 and 1Q18.

Our View

ETB's 1Q19 results were negative since revenues and EBITDA decreased compared to previous quarter, in addition to being slightly below our expectations. During the first quarter of 2019, there was a negative surprise in B2B revenues which reduced 13% QoQ, while Mobile customers base continued their negative trend since 2Q18 and it decreased 8% QoQ. On the other hand, despite fiber optics base clients increased to 344,000 (+2% QoQ and 10% YoY), this was not enough to offset the fall in traditional business (copper network). Regarding EBITDA margin, there was a reduction of 400 bps QoQ as expected.

Finally, it is worth noting that the challenge for the company continues to be to consolidate the growth in the revenue line in the middle of a highly competitive market.

1Q19's ETB Results (COP mn)

COP mn	1Q19	4Q18	Var% (pbs)	1Q18	Var% (pbs)	1Q19E	Var% (pps)
Revenues	368.160	377.199	-2,4%	353.720	4,1%	376.010	-2,1%
Operating profit	2.892	(8.802)	132,9%	(43.719)	106,6%	(24.057)	112,0%
EBITDA	138.763	157.242	-11,8%	123.078	12,7%	142.850	-2,9%
Net Income	1.097	(42.892)	102,6%	(64.791)	101,7%	(14.057)	107,8%
Operating Margin	0,8%	-2,3%	312	-12,4%	1.315	-6,4%	718
EBITDA margin	37,7%	41,7%	(400)	34,8%	290	38,0%	(30)
Net margin	0,3%	-11,4%	1.167	-18,3%	1.861	-3,7%	404

Source: Bancolombia, ETB.

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