

# PTCL (PTC): From Price Wars to Pricing Power

PTCL's acquisition of Telenor Pakistan, struck at a sub-1x EV/Sales multiple, reduces competitive rivalry in the telecom sector, creates a credible path to earnings repair via ARPU normalization, measurable cost takeout, and eventual finance-cost relief. Pro-forma figures show that—after removing one-offs and adding Telenor's contribution —annual profitability shifts to a PKR 19-32bn run-rate. Execution on network/site rationalization, IT/BSS convergence, and distribution overlap positions the combined entity to re-rate on EBITDA and cash conversion.

**- Can PTC be a USD 5 bn company, again?**

We would like to highlight PTC as a potential multi bagger over the next 3-5 years contingent on the approved merger with Telenor Pakistan with a 12-month forward fair value estimate of PKR 62/share. Our conviction which is contingent on the merger stems from:

**- Global and historical valuations:**

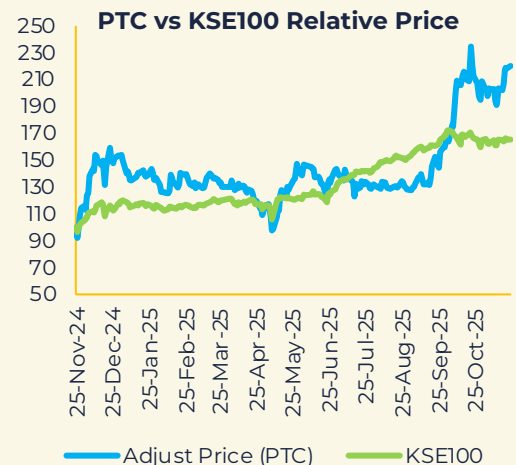
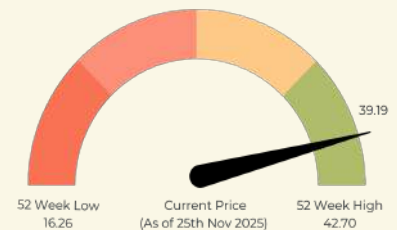
Etisalat acquired its stake in PTCL (PTC) in 2006 at an implied equity value of roughly **USD 10 bn**, with PTCL's earnings having peaked around **USD 500mn** in 2004. Today PTC's equity value is about **USD 707mn**, or roughly **USD ~10 per subscriber** on a **post-merger pro-forma** basis with Telenor Pakistan.



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|                                  |                      |
|----------------------------------|----------------------|
| Symbol:                          | <b>PTC</b>           |
| Current Price (PKR):             | <b>39.19</b>         |
| Target Price (PKR):              | <b>62</b>            |
| Upside:                          | <b>58%</b>           |
| Market Cap (PKR Bn.):            | <b>200bn</b>         |
| 1 Yr ADTV (PKR Mn.):             | <b>PKR 452.94</b>    |
| 1Yr Average Daily Traded Volume: | <b>15.68 million</b> |
| 52 Week High:                    | <b>42.70</b>         |
| 52 Week Low:                     | <b>16.26</b>         |



**Chart 1-PTC vs KSE-100 Relative Price**  
– Source: PSX

By comparison, listed peers across Asia and Africa trade at **~USD 42–623 per subscriber**, placing PTC at the extreme low end of the global range and highlighting significant re-rating potential as integration and monetization progress.

#### - Consolidation catalyst:

The Telenor Pakistan merger removes a direct competitor, adds scale, and enables pricing discipline and network efficiency. PTCL is acquiring Telenor Pakistan on a **debt-free, cash-free** basis at an **enterprise value of PKR 108 bn** (subject to customary adjustments). The merger will take PTCL from a 14% market share in the mobile market to a 36% market share.

#### - Normalized earnings run-rate (ex one-offs, +Telenor):

After stripping non-core charges and adding Telenor Pakistan's contribution, we estimate a **current pro-forma earnings run-rate of ~PKR 19bn-32bn per year, or ~PKR 3.7-6.3/share**.

#### - Consolidation efficiencies:

Duplicate costs will be removed in phases. With a **post-merger footprint of ~24,000 towers**, management can retire **~7,000 overlapping sites**, implying **up to ~PKR 21 bn** in annualized savings (rent/energy/maintenance/backhaul), before additional IT/BSS, SG&A, distribution, and procurement synergies.

#### - Lowest ARPU among peers:

Blended ARPU in Pakistan is **~USD 1.1/month** versus **~USD 2-3** in India, Nigeria, Uganda, and Malawi—leaving meaningful headroom for **disciplined price repair** as consolidation beds down and service quality improves.

### - Bargain purchase (EV/Sales):

Relative to recent global prints, the acquisition screens exceptionally cheap on **EV/Sales**: **True + DTAC (Thailand) ~3.23×**, **Oi Móvel (Brazil) ~2.29×**, **Vodafone Idea (India) ~2.29×**, versus **~0.88×** for **Telenor Pakistan**—a deep discount that amplifies synergy-driven value creation.

### - Margins set to normalize:

Post-consolidation peers in select markets operate at **materially higher Gross margins**; PTCL's current **~30-35%** range leaves visible runway for catch-up as ARPU lifts, low-yield packs are rationalized, and network/energy/IT costs are streamlined.

### - Data and usage tailwind:

Rising smartphone penetration, heavier 4G consumption, and FTTH expansion should support **sustained volume growth** and **higher-value bundle uptake**, providing a structural tailwind to revenue and ARPU.

### - Operating leverage:

A larger subscriber base riding on a rationalized network should **lift gross margins** and expand EBITDA. Early **ARPU improvement** can compound through 4G/FTTH mix shift, upselling (family/data-heavy plans), and reduced churn from better QoS.



Chart 2- Telco's Market Share (Oct'25)– Source: PTA

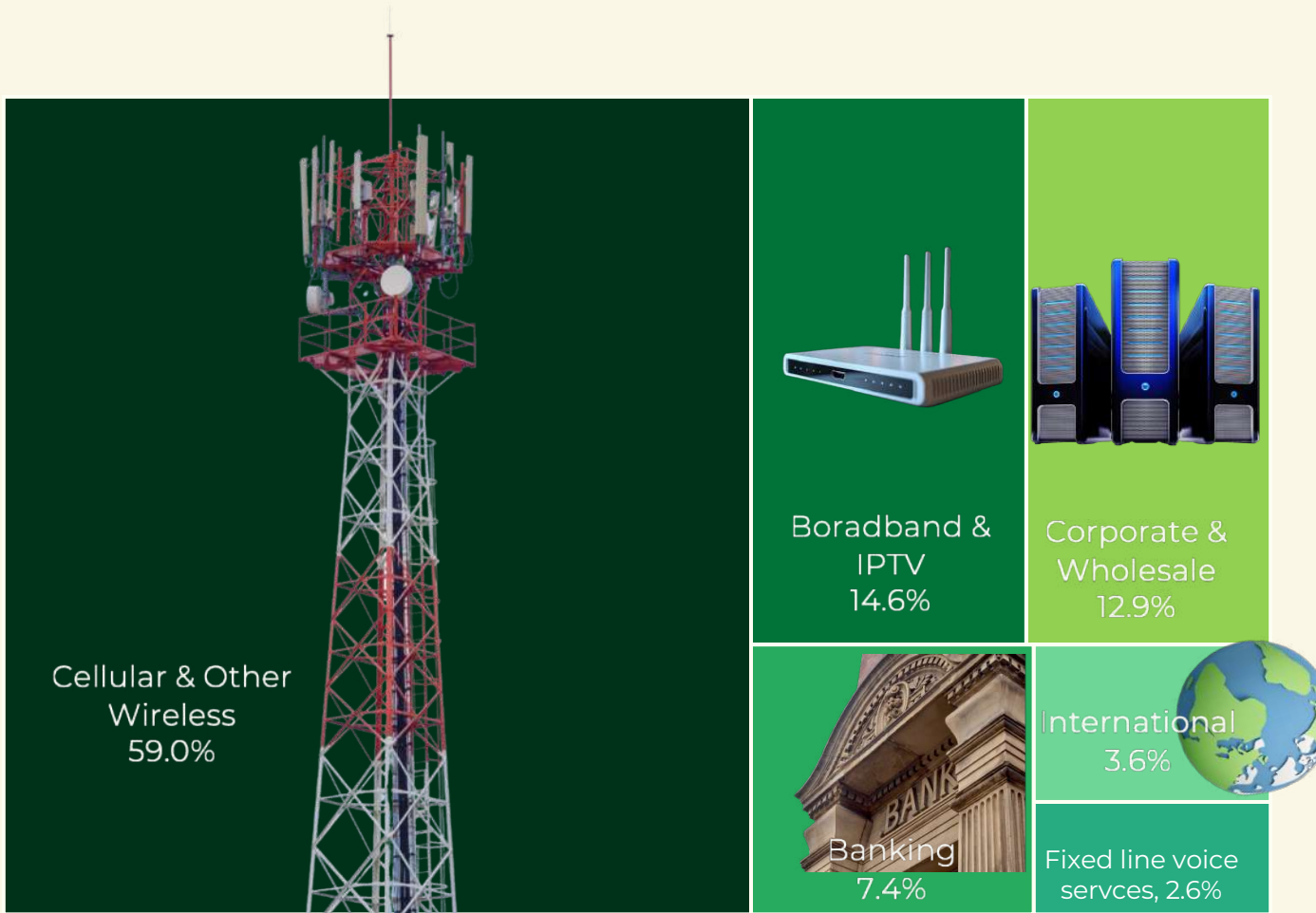
## PTCL Group (PTC) – Current Business

On a consolidated basis, PTC reported PKR 219.7 bn of net revenue in 2024. The mix comprised PKR 81.2 bn from Cellular & Wireless, PKR 49.3 bn from Broadband & IPTV, PKR 43.5 bn from Corporate & Wholesale, PKR 12.1 bn from International, PKR 24.9 bn from Banking (UBank), and PKR 8.7 bn from Fixed-line Voice.



**Chart 3- PTCL Revenue Business Lines (Before Merger) – Source: Chase Research**

With the addition of Telenor Pakistan (2024 sales: PKR 118 bn) and continued growth in cellular data services, the revenue mix is set to tilt further toward mobility. On a simple pro-forma basis (PTC 2024 + Telenor 2024), Cellular revenue **would rise ~145%** versus PTC standalone and account for **~60% of Group revenue**, alongside a fast-growing FTTH franchise.

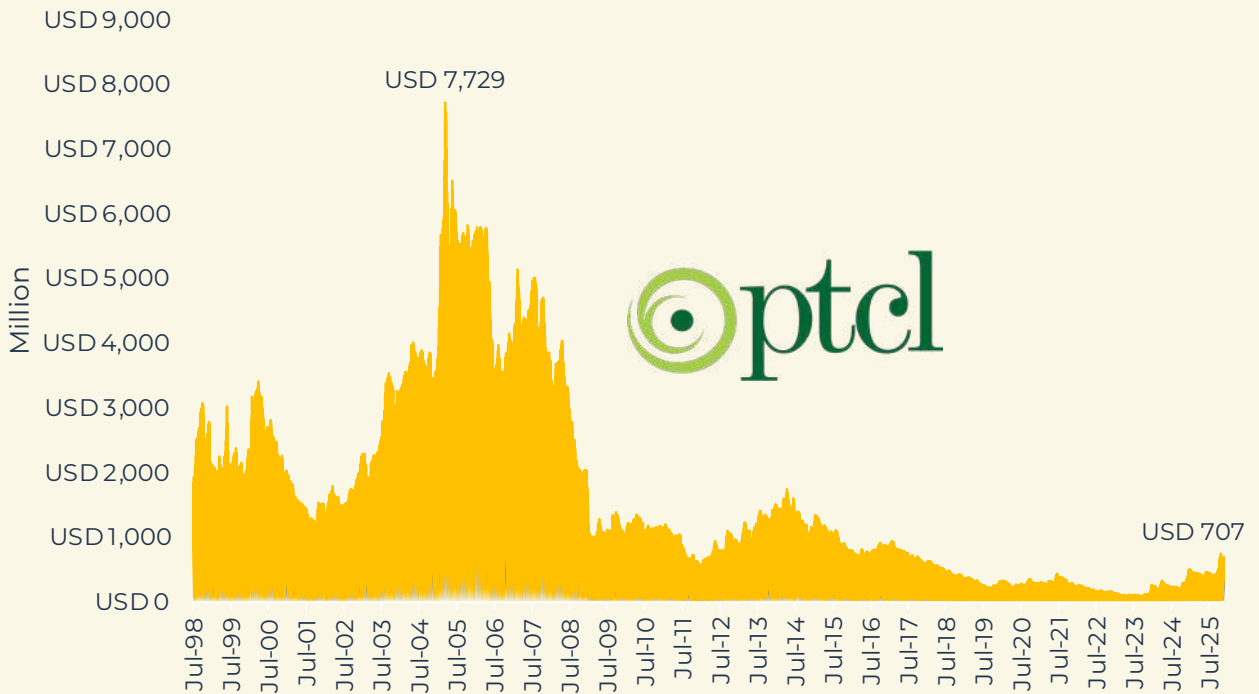


**Chart 4- PTCL Revenue Business Lines (After Merger) – Source: Chase Research**

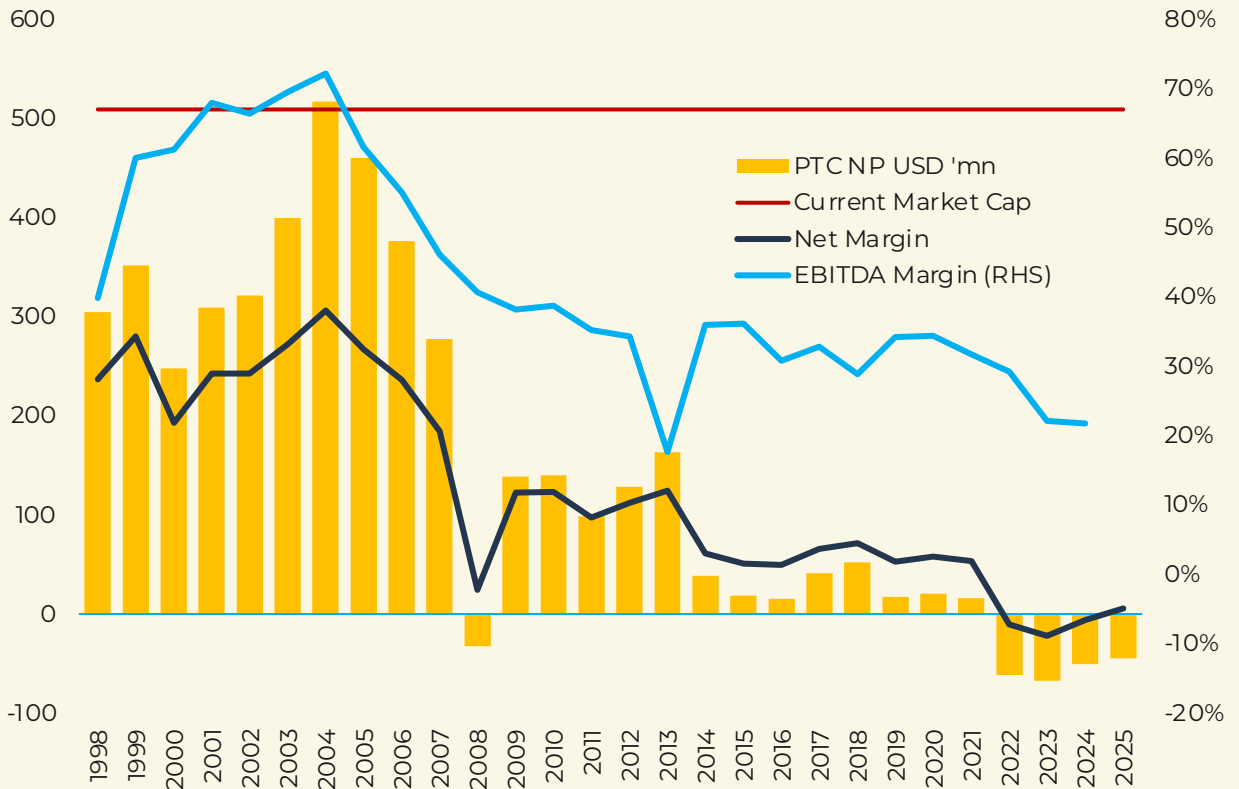
## What happened to PTCL

Etisalat acquired 26% of PTCL in 2006 at an implied equity value of **~USD 10 bn**. Since then, escalating competition and deregulation have pressured pricing and profitability. Group PAT peaked around **USD 500mn in 2004**, but declined after new entrants—Warid and Telenor (2005) and China Mobile/Zong (2008)—intensified price competition. PTCL's legal monopoly over domestic long-distance and international traffic effectively ended with the 2003–04 Deregulation Policy; the issuance of LDI and WLL licenses forced tariff cuts in PTCL's highest-margin products and compressed returns.

## PTC Market Cap. (USD 'Mn)



**Chart 5- PTC Market Cap. In USD Million – Source: Chase Research**



**Chart 6- Source: PTC Financials, Chase Research**

Sector consolidation (e.g., Mobilink–Warid, 2015) improved industry discipline, but heavy fiber/4G capex, rising finance costs, and currency devaluation kept reported earnings subdued. Blended ARPU fell from ~USD 6/month (2004) to ~USD 0.8–1.1 by 2024, among the lowest globally. These dynamics, combined with FX, drove a pronounced de-rating: today's market cap (~USD 707 mn) is ~7% of the 2006 implied valuation paid by Etisalat and ~1/10th of PTCL's USD 7.7 bn peak (2005).

#### Pakistan ARPU

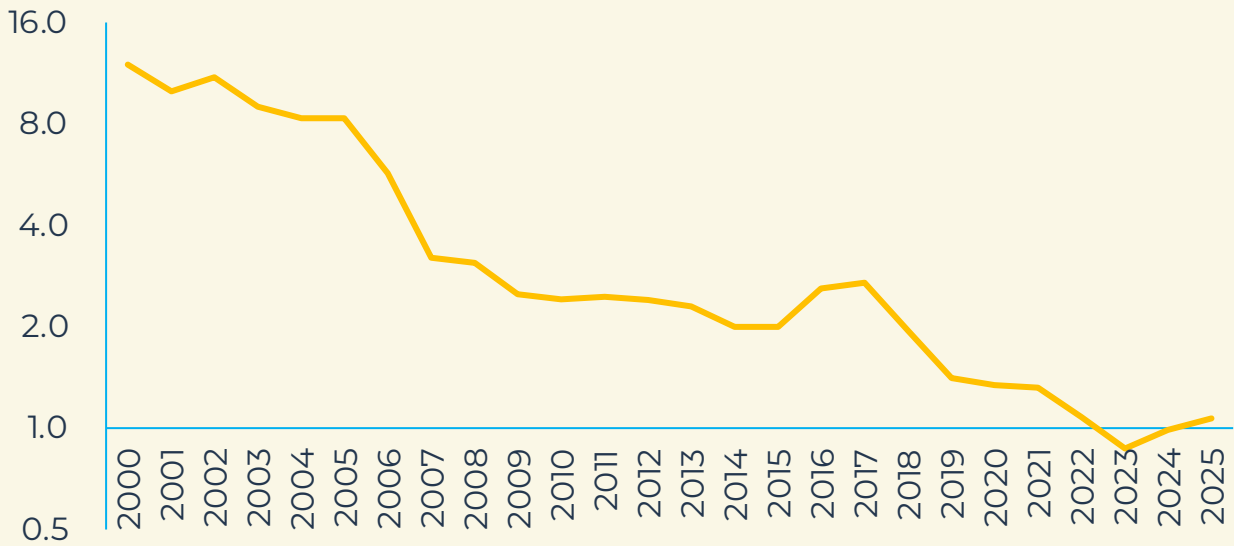


Chart 7- Pakistan ARPU – Source: PTA, WB, Others

Looking ahead, ARPU has begun to recover as competitive intensity eases and tariff re-baselining takes hold. With the Telenor Pakistan acquisition and rationalization of overlapping networks, we expect pricing discipline to strengthen and margins to expand. Our base case envisages a gradual lift toward ~USD 2/month per user over the next five years, supported by data-led bundles, FTTH growth, and integration synergies.

## Global Valuations Context

With no direct local listed comparable, we benchmark PTCL against a broad set of 21 Asia/Africa telcos. On a market-cap-per-subscriber basis, PTCL screens at ~USD 10/sub (pro-forma with Telenor Pakistan), versus a peer range of roughly USD 42–623/sub. Within emerging-market cohorts most relevant to Pakistan—Malawi, Ghana, Uganda, India—operators typically trade at USD 42–245/sub, or ~4–24× PTCL’s current level. This dispersion underscores the potential for re-rating as consolidation benefits flow through, ARPU repair continues, and reported earnings converge toward normalized run-rate performance.

| Country        | Company                 | Market Cap (USD 'bn) | Revenue (USD 'bn) | GP Margin (TTM) | Net Profit (USD 'bn) | Subs (mn) | ARPU (USD/mo) | Market Cap per Sub (USD) | P/S  | NP/Subs criber | P/S  |
|----------------|-------------------------|----------------------|-------------------|-----------------|----------------------|-----------|---------------|--------------------------|------|----------------|------|
| Pakistan       | PTC - Post Merger       | 0.71                 | 1.33              |                 |                      | 69        | 1.07          | 10                       | 0.53 |                | 0.53 |
|                | PTC - Pre Merger        | 0.71                 | 0.88              | 34%             | (0.04)               | 27        | 1.07          | 26                       | 0.80 | (1.35)         | 0.80 |
| Malawi         | Telekom Networks Malawi | 0.21                 | 0.10              | 36%             | 0.01                 | 5         | 1.51          | 42                       | 2.17 | 1.82           | 2.17 |
| Uganda         | Airtel Uganda Ltd       | 0.93                 | 0.59              | 72%             | 0.10                 | 17        | 2.97          | 55                       | 1.59 | 5.94           | 1.59 |
| India          | Vodafone Idea Ltd       | 12.06                | 4.98              | 45%             | (2.92)               | 205       | 2.02          | 59                       | 2.42 | (14.20)        | 2.42 |
| South Africa   | MTN Group Ltd           | 17.85                | 11.68             | 66%             | 0.61                 | 292       | 3.00          | 61                       | 1.53 | 2.10           | 1.53 |
| Philippines    | Globe Telecom Inc.      | 3.94                 | 3.09              | 83%             | 0.37                 | 63        | 2.90          | 63                       | 1.27 | 5.88           | 1.27 |
| Pan-Africa ops | Airtel Africa plc       | 14.58                | 5.59              | 65%             | 0.63                 | 166       | 2.40          | 88                       | 2.61 | 3.76           | 2.61 |
| Philippines    | PLDT Inc.               | 4.82                 | 3.76              | 72%             | 0.51                 | 59        | 2.14          | 82                       | 1.28 | 8.57           | 1.28 |
| South Africa   | Vodacom Group Ltd       | 15.32                | 8.82              | 55%             | 0.96                 | 211       | 17.70         | 73                       | 1.74 | 4.54           | 1.74 |
| Uganda         | MTN Uganda Ltd          | 1.90                 | 0.97              | 80%             | 0.19                 | 23        | 10.00         | 83                       | 1.96 | 8.21           | 1.96 |
| Nigeria        | MTN Nigeria             | 6.72                 | 3.19              | 82%             | 0.58                 | 79        | 3.02          | 85                       | 2.11 | 7.39           | 2.11 |

| Country       | Company               | Market Cap (USD 'bn) | Revenue (USD 'bn) | GP Margin (TTM) | Net Profit (USD 'bn) | Subs (mn) | ARPU (USD/mo) | Market Cap per Sub (USD) | P/S  | NP/Subscriber | P/S  |
|---------------|-----------------------|----------------------|-------------------|-----------------|----------------------|-----------|---------------|--------------------------|------|---------------|------|
| Malawi        | Airtel Malawi Plc     | 0.79                 | 0.18              | 66%             | 0.03                 | 8         | 1.71          | 97                       | 4.32 | 3.12          | 4.32 |
| Kenya         | Safaricom PLC         | 9.22                 | 2.97              | 73%             | 0.35                 | 57        | 3.10          | 162                      | 3.10 | 6.19          | 3.10 |
| Argentina     | Telecom Argentina     | 5.18                 | 4.35              | 75%             | (0.17)               | 21        | 5.00          | 244                      | 1.19 | (8.02)        | 1.19 |
| Brazil        | TIM S.A.              | 11.00                | 4.95              | 53%             | 0.76                 | 62        | 5.99          | 177                      | 2.22 | 12.17         | 2.22 |
| Brazil        | Telefônica Brasil     | 20.45                | 11.00             | 48%             | 1.14                 | 116       | 5.77          | 176                      | 1.86 | 9.78          | 1.86 |
| Ghana         | Scancom PLC           | 5.03                 | 1.82              | 82%             | 0.54                 | 29        | 4.86          | 176                      | 2.77 | 19.08         | 2.77 |
| South America | Millicom              | 8.79                 | 5.59              | 77%             | 1.15                 | 42        | 6.00          | 210                      | 1.57 | 27.47         | 1.57 |
| China         | China Mobile Ltd      | 242.80               | 146.60            | 29%             | 20.08                | 1004      | 6.80          | 242                      | 1.66 | 20.00         | 1.66 |
| India         | Bharti Airtel Ltd     | 144.70               | 21.91             | 67%             | 5.03                 | 590       | 2.80          | 245                      | 6.61 | 8.53          | 6.61 |
| Thailand      | True Corporation PCL  | 12.16                | 6.20              | 32%             | (0.14)               | 48        | 6.72          | 255                      | 1.96 | (2.94)        | 1.96 |
| Thailand      | Advanced Info Service | 28.64                | 6.89              | 39%             | 1.32                 | 46        | 7.15          | 623                      | 4.16 | 28.74         | 4.16 |
| USA           | Verizon               | 173.80               | 137.50            | 59%             | 20.27                | 146       | N/A           | 1,190                    | 1.26 | 138.77        | 1.26 |
|               | AT&T                  | 183.80               | 124.50            | 60%             | 23.64                | 119       | 57.04         | 1,545                    | 1.48 | 198.67        | 1.48 |
|               | T-Mobile US           | 234.30               | 85.85             | 64%             | 11.87                | 133       | 50.62         | 1,764                    | 2.73 | 89.38         | 2.73 |
| Canada        | TELUS                 | 20.55                | 14.70             | 35%             | 0.58                 | 14        | 40.40         | 1,479                    | 1.40 | 41.73         | 1.40 |
| Canada        | BCE                   | 21.57                | 17.60             | 45%             | 4.59                 | 10        | 41.14         | 2,094                    | 1.23 | 445.63        | 1.23 |

**Table 1 - Source: Investing.com Pro, Chase Research**

## Global Telecom Life Cycle – Where Pakistan Fits

### Global Telecom Life Cycle – Where Pakistan Fits

The telecom sector across markets tends to follow a fairly consistent three-stage life cycle in terms of growth, pricing power and profitability.

Understanding where Pakistan sits on this curve – relative to developed markets and key emerging peers – is central to framing the upside in ARPU per user per month and margins post consolidation.

#### Stage 1 – Land-Grab / Network Build-Out

##### **Definition:**

This is the early phase where operators prioritize coverage and subscriber growth over profitability. The sector is fragmented, SIM penetration is still ramping, and competition is primarily on price.

##### **Key characteristics**

- Multiple operators, often with regional licenses and sub-scale networks
- Very aggressive pricing and promotions (free minutes/MBs, heavy discounts)
- Heavy CAPEX on towers, spectrum and fiber
- Low or falling ARPU per user per month despite rapid volume growth
- Weak free cash flow due to high investment needs

##### **Developed market precedent**

##### **US & Europe (1990s–early 2000s):**

The mobile industry started with a long list of regional and national players. The US had six major national operators plus regional carriers; Europe had 4–5 operators in many countries. The competitive focus was subscriber acquisition and network roll-out rather than returns.

## Emerging market examples today

**Indonesia (historical):** Too many operators (Telkomsel, XL, Indosat, Tri, Smartfren and others) chased a highly prepaid base, driving ARPU per user per month down via relentless price wars even as data usage exploded.

**Nigeria (historical):** Rapid subscriber growth with MTN, Airtel, Glo and others, but persistent low ARPU per user per month in USD due to competition and currency weakness.

**Pakistan (2000s–mid 2010s):** Classic Stage 1: multiple MNOs (Jazz/Mobilink, Telenor, Zong, Ufone, Warid), multi-SIM behavior and aggressive on-net bundles pushed ARPU per user per month to among the lowest in the world.

At this stage, investors typically see strong top-line growth but poor cash generation and volatile returns.

## Stage 2 – Consolidation & Monetization

### Definition:

Once penetration is high and weaker players struggle to fund ongoing CAPEX, sectors tend to consolidate. The number of networks falls, pricing discipline improves and management focus shifts from SIMs to ARPU per user per month and cash returns.

### Key characteristics

- M&A and exits: 4→3, 5→3 or 3→2 player structures
- Rationalization of overlapping towers, spectrum and retail
- Gradual shift from “subscriber growth” to “ARPU per user per month growth”
- Tariff repair, bundle repricing and upselling of larger data packages
- EBITDA margins expand; free cash flow inflects positively despite ongoing 4G/5G and fiber CAPEX.

## **Developed market precedent**

### **US (2010s–2020):**

The T-Mobile/Sprint merger and prior deals (Cingular–AT&T Wireless, Verizon–Alltel) took the market from a fragmented structure to an effective three-player national oligopoly (Verizon, AT&T, T-Mobile). This underpinned ARPU per user per month stabilization and better returns.

### **Europe:**

Several markets moved from 4→3 operators (e.g. Austria, Ireland, parts of Germany and the Netherlands). Even where regulators-imposed remedies, consolidation still improved pricing discipline and margins.

## **Key emerging market case studies**

### **India:**

India is the clearest illustration of Stage 2 in recent years. The market moved from 13+ operators to three private players (Jio, Airtel, Vodafone Idea) plus state-owned BSNL. Jio's entry forced a brutal shake-out, but once the dust settled, operators started pushing through repeated tariff hikes. Airtel and Jio ARPU per user per month have been rising steadily as pricing normalizes from unsustainably low levels and data usage remains robust.

### **Brazil:**

Oi's distressed exit from mobile and the sale of its assets to TIM, Claro and Telefónica (Vivo) effectively took Brazil from 4→3 national mobile players. This has led to more rational competition, improved spectrum utilization and an ongoing ARPU per user per month and margin repair story, especially in mobile. Fixed/FTTH is a bit earlier in the cycle with many ISPs still consolidating.

### **Nigeria:**

After years of underpricing in a high-inflation environment, the regulator has started to allow meaningful tariff increases. MTN and Airtel Nigeria are now reporting strong ARPU per user per month growth, with revenue and EBITDA rising significantly faster than subscriber growth. This is textbook Stage-2 monetization off a very low base.

**Ghana:**

Ghana has undergone multiple rounds of consolidation (e.g. Airtel + Tigo) and today is effectively a market where MTN is already enjoying Stage-3-like economics (dominant market share and strong monetization), while the remaining players are being pushed to consolidate further (Telecel–AirtelTigo) to form a credible #2. The overall market is in Stage 2, but the leader already behaves like a mature utility.

**Indonesia (current):**

The Indosat Ooredoo–Hutchison Tri merger and the announced XL Axiata–Smartfren combination will leave Indonesia with three main MNOs. Industry commentary and early data points already show modest ARPU per user per month uplift as extreme discounting is dialed back and network duplication is reduced.

**Pakistan's direction of travel**

Pakistan's first meaningful consolidation wave was the Mobilink–Warid merger, which created Jazz as a clear #1. The proposed PTCL/Ufone + Telenor Pakistan combination is the next logical step: moving the market closer to a 3-player structure with better spectrum per operator and scope for tower and site rationalization. If regulatory and political constraints on pricing ease over time, Pakistan could finally enter a true Stage-2 environment, where ARPU per user per month and margins begin to normalize closer to peer levels.

**Stage 3 – Mature / Utility-Like****Definition:**

In the final stage, penetration is saturated and the sector resembles a regulated utility: low but stable growth, high cash generation, and relatively predictable returns.

**Key characteristics**

- 2–4 stable, well-capitalized operators with nationwide networks
- SIM and data penetration near 100%; growth mainly from usage and price
- ARPU per user per month grows slowly (often around inflation), sometimes flat in real terms

- CAPEX intensity moderates once the bulk of 4G/5G and fiber build-out is complete
- High EBITDA margins and strong free cash flow support elevated dividends and/or buybacks

### Developed market examples

**Canada:** The “Big Three” (Rogers, Bell, Telus) control the vast majority of subscribers. Canada exhibits some of the highest ARPU per user per month globally, low churn, and strong cash generation, and is widely viewed as a classic telecom utility market.

**Western Europe:** Many markets now see limited volume growth and ARPU per user per month that, in real terms, is flat or slightly declining, but operators still generate healthy margins and returns, with telecoms often owned as yield/defensive stocks.

**US (today):** While competition remains visible (especially around 5G and fixed-wireless), the three national players operate in a relatively stable oligopoly with predictable cash generation.

### Positioning Pakistan vs the Global Curve

**Developed markets:** Already in Stage 3 – growth is modest, but ARPU per user per month and cash flows are high and stable.

**India, Brazil, Nigeria, Ghana, Indonesia:** Firmly in Stage 2 – consolidation has either occurred or is in progress, and ARPU per user per month, margins and returns are improving from low levels.

**Pakistan:** Currently sits between late Stage 1 and early Stage 2. Penetration is high, but the market remains fragmented (four MNOs), ARPU per user per month is still depressed, and regulatory/tax headwinds constrain pricing. The PTCL/Ufone–Telenor Pakistan transaction is, in effect, an attempt to push the sector decisively into **Stage 2 (Consolidation & monetization)**, following the same path seen in India, Brazil, Nigeria, Ghana and Indonesia.

If successful – and if tariff frameworks gradually normalize - Pakistan’s mobile ARPU per user per month and sector profitability have the potential to re-rate closer to other consolidated emerging markets over the medium term.

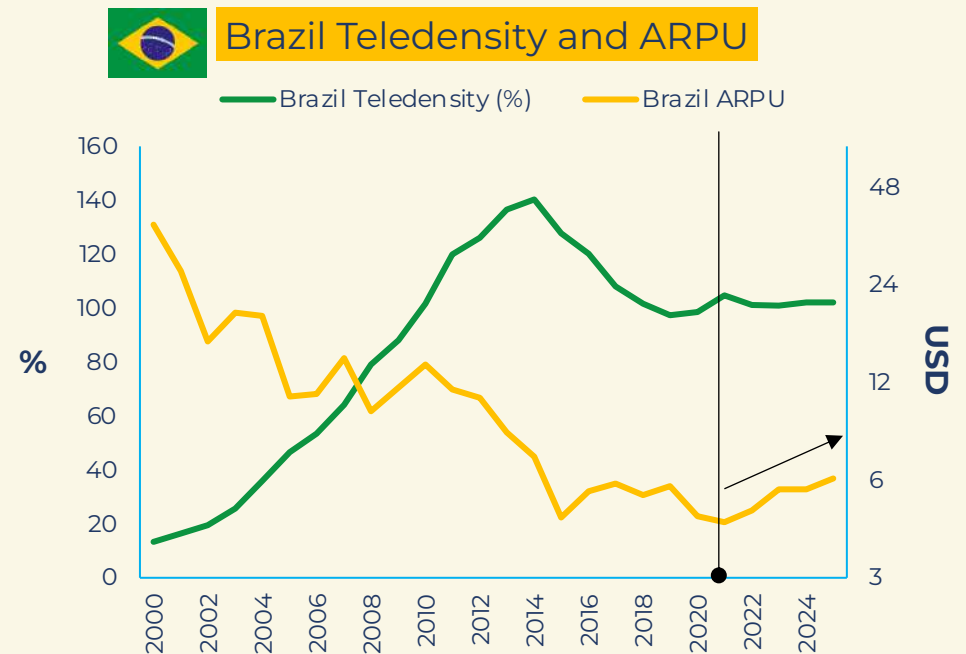
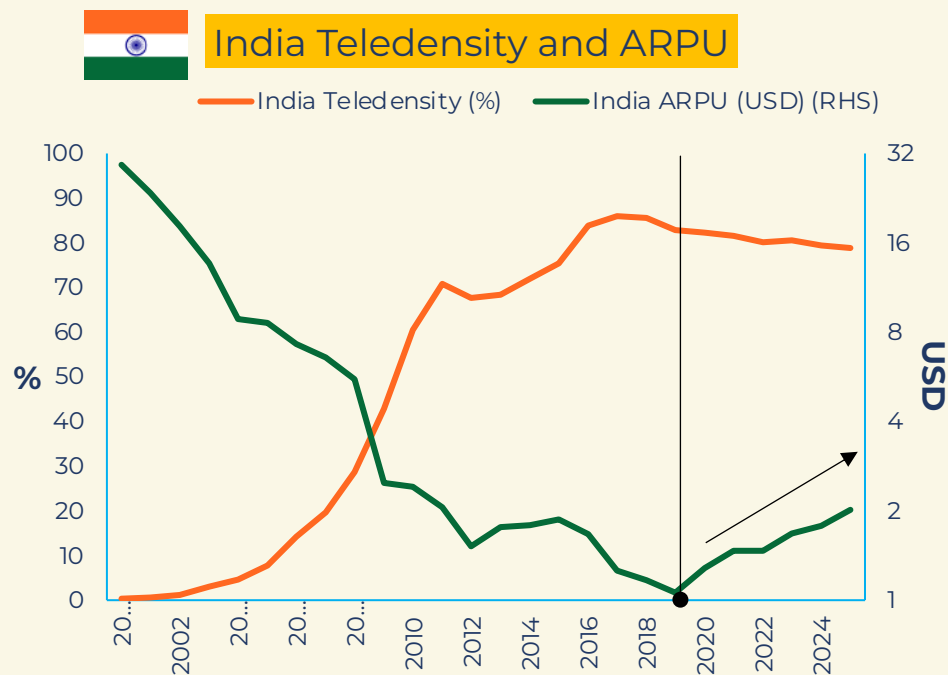


Chart 8- India Teledensity &amp; ARPU

Chart 9- Brazil Teledensity &amp; ARPU

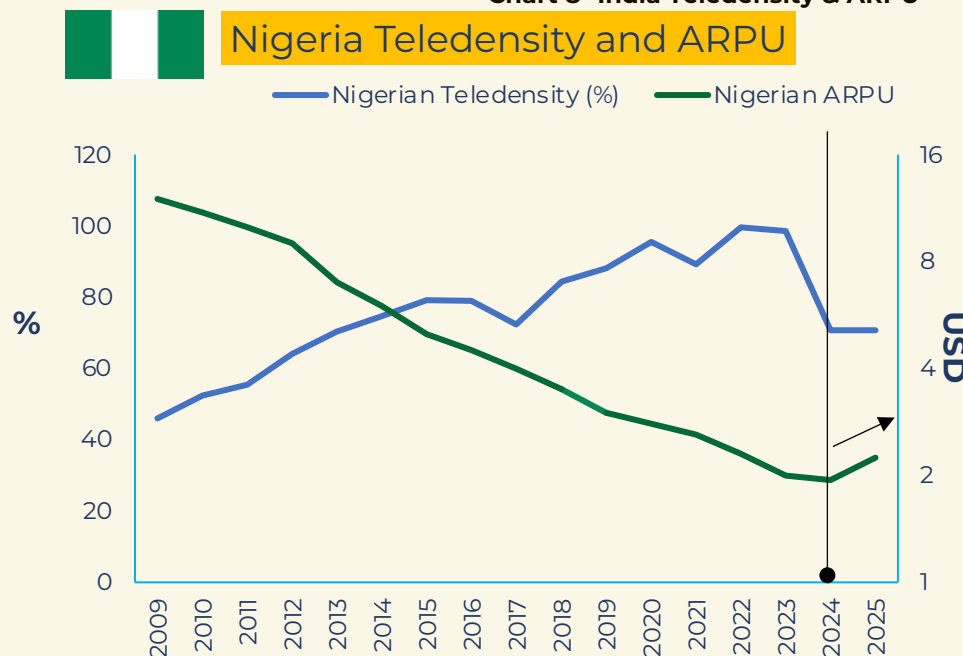


Chart 10- Nigeria Teledensity &amp; ARPU

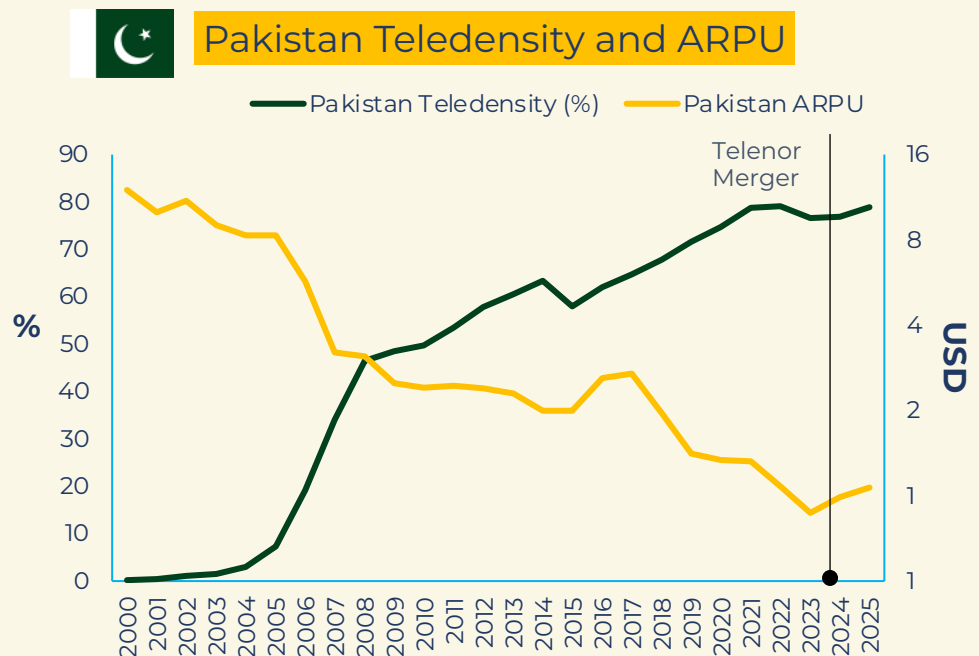


Chart 11- Pakistan Teledensity &amp; ARPU

Sources: WB, Company Financials, Chase Research

## Global Consolidation Examples

The Telenor Pakistan merger removes a key competitor, raises combined scale, and supports pricing discipline and network efficiency. It is important to note that PTC Margins and profitability drastically declined after increase in competition in the sector.

Fierce price wars, Consolidation, Increase in ARPU and profitability are a global pattern seen in other countries as well, here are some global examples of what happens post consolidation:

### 1. India – from a 10+ player price war to an effective 3-player market (Jio / Airtel / Vodafone Idea)

#### What happened:

Between 2017 and 2020 almost every weaker Indian mobile operator either shut down, sold out, or merged. The biggest step was Vodafone India merging with Idea Cellular in August 2018 to form Vodafone Idea, while Telenor India, Tata Teleservices' consumer mobile arm, RCom, Aircel, etc. disappeared. That left only three national players: Reliance Jio, Bharti Airtel, and Vodafone Idea.

#### ARPU impact:

Right after the big cleanup, Vodafone Idea's ARPU was stuck around ₹107–₹109 per month in late 2019, and only ticked up to about ₹121 after an emergency tariff hike in December 2019.

Fast forward to early 2025: Vodafone Idea is reporting ARPU of ₹173, up ~19% year-on-year and ~60% higher than that ~₹107 level from FY20, helped by successive, industry-wide tariff hikes.

Airtel's ARPU has climbed even faster. Airtel says ARPU is ~₹250 per month as of the June 30, 2025 quarter, up ~18.5% year-on-year after the operators raised headline plan prices by roughly 10–25% in July 2024. Analysts think Airtel can push ARPU beyond ₹280 by FY26 because pricing is no longer a race to the bottom.

## Why it went up:

With only three national MNOs left, they've repeatedly moved prices up (Dec 2019, Nov 2021, July 2024) instead of undercutting each other, and they're upselling 4G/5G data and fiber bundles. ARPU expansion is now the core earnings lever for all three.

## Impact on profitability:

Consolidation in India led to a massive rise in Gross Profit and EBITDA over the last 6 years with EBITDA Margins for Bharti Airtel Rising from 47.5% in 2019 to 64.8% in 2025. It is important to note that PTC's EBITDA Margin currently stands at 40.1% Similar to Bharti Airtels EBITDA Margins in 2019 and we believe that a similar outcome in terms of increase in ARPU and EBITDA margin is likely for PTC post sector consolidation.

On the other hand, EBITDA margins also rose for Vodafone Idea from 10% to 26%. But, even this increase was not enough to restore profitability.

| <div>  <b>India</b> </div> |             |             |             |             |             |             |              |
|---------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <b>Bharti Airtel<br/>(mn USD)</b>                                                                             | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>2025</b>  |
| Revenue                                                                                                       | 11,688      | 11,429      | 13,830      | 15,347      | 16,939      | 18,000      | 20,248       |
| Cost of Revenue                                                                                               | (6,137)     | (5,470)     | (6,222)     | (6,226)     | (6,421)     | (6,588)     | (7,118)      |
| Gross Profit                                                                                                  | 5,551       | 5,958       | 7,608       | 9,121       | 10,517      | 11,412      | 13,130       |
| Gross Profit Margin                                                                                           | 47.5%       | 52.1%       | 55.0%       | 59.4%       | 62.1%       | 63.4%       | 64.8%        |
| EBITDA                                                                                                        | 3,724       | 4,745       | 6,286       | 6,701       | 7,691       | 8,392       | 9,813        |
| EBITDA Margin                                                                                                 | 31.9%       | 41.5%       | 45.5%       | 43.7%       | 45.4%       | 46.6%       | 48.5%        |
| Net Income                                                                                                    | 59          | -4657.9     | -3570.3     | 560.3       | 1016        | 896         | 3927.8       |
| <b>Net Margin</b>                                                                                             | <b>0.5%</b> | <b>N/A</b>  | <b>N/A</b>  | <b>3.7%</b> | <b>6.0%</b> | <b>5.0%</b> | <b>19.4%</b> |

Table 2 - Source: Investing.com Pro, Chase Research

| <div>  <b>India</b> </div> |         |         |         |         |         |         |         |
|-------------------------------------------------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Vodafone Idea ('mn USD)                                                                                     | 2019    | 2020    | 2021    | 2022    | 2023    | 2024    | 2025    |
| Revenue                                                                                                     | 5332.6  | 5954.4  | 5728    | 5069.4  | 5130.1  | 5109.2  | 5086.6  |
| Cost of Revenue                                                                                             | -4363.7 | -3612.4 | -3157.4 | -2755   | -2900   | -2918.5 | -2852.5 |
| Gross Profit                                                                                                | 968.9   | 2342    | 2570.5  | 2314.4  | 2230    | 2190.8  | 2234.1  |
| Gross Profit Margin                                                                                         | 18.2%   | 39.3%   | 44.9%   | 45.7%   | 43.5%   | 42.9%   | 43.9%   |
| EBITDA                                                                                                      | 541.7   | 1073.5  | 1424.6  | 1226.2  | 1244.9  | 1266.4  | 1357.7  |
| EBITDA Margin                                                                                               | 10.2%   | 18.0%   | 24.9%   | 24.2%   | 24.3%   | 24.8%   | 26.7%   |
| Interest Expense                                                                                            | (1,325) | (1,853) | (2,451) | (2,733) | (2,770) | (3,079) | (2,749) |
| Net Income                                                                                                  | -2105   | -9794   | -6041   | -3719   | -3567   | -3749   | -3205   |

**Table 3 - Source: Investing.com Pro, Chase Research**

## 2. Ghana – weakened #2/#3 vs a dominant MTN, then another forced merger

### What happened:

Ghana merged Airtel Ghana and Tigo Ghana in 2017 to form Airtel Tigo (now AT Ghana). The company later struggled so badly that the government took it over for \$1 in 2021. By mid-2025 MTN Ghana controlled roughly 72–79% of the mobile market, which is essentially dominance. Ghana’s government now wants to merge AT Ghana with Telecel Ghana (the former Vodafone Ghana) into a single challenger with ~26% market share, precisely to counter MTN’s pricing power.

### ARPU / monetization impact:

MTN Ghana’s service revenue jumped ~34–35% in 2024 to about GHS 17.9 billion (~\$1.1B), while its subscriber base rose only ~6.5% to 28.5 million. In other words, revenue per user rose sharply. Data revenue was up ~54% and mobile money revenue ~54%.

## Why it went up:

After AirtelTigo's merger and long decline, MTN was basically free to upsell data bundles and mobile money without being dragged into ruinous discounting. ARPU expansion at MTN Ghana is so strong that the state is literally engineering another merger (Telecel + AT Ghana) to rebuild a viable #2 and slow MTN's per-user pricing power.

## Impact on profitability:

Gross profit margins for MTN Ghana's rose from 61% in 2017 to 79% in 2021 and EBITDA Margins rose from 37% in 2017 to a peak of 54% in 2022. Moreover, it is important to note that MTN Ghana's profitability of USD 343mn is on a subscriber base of 30mn users which is less than half of the combined subscriber base of Ufone and Telenor.

| <div>  <b>Ghana</b> </div> |              |              |              |              |              |              |              |              |
|-------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| MTN Ghana<br>('mn USD)                                                                                      | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024         |
| Revenue                                                                                                     | 755.7        | 864.9        | 919          | 1031.2       | 1261.5       | 1016.8       | 1121.7       | 1225.1       |
| Cost of Revenue                                                                                             | -294.7       | -314.4       | -216         | -235.4       | -265.3       | -201.3       | -237         | -250.4       |
| Gross Profit                                                                                                | 461          | 550.5        | 703          | 795.8        | 996.2        | 815.5        | 884.7        | 974.7        |
| Gross Profit Margin                                                                                         | 61.0%        | 63.6%        | 76.5%        | 77.2%        | 79.0%        | 80.2%        | 78.9%        | 79.6%        |
| EBITDA                                                                                                      | 283.1        | 306.9        | 403.1        | 526.3        | 671.1        | 549.3        | 631.9        | 673          |
| EBITDA Margin                                                                                               | 37%          | 35%          | 44%          | 51%          | 53%          | 54%          | 56%          | 55%          |
| Net Income                                                                                                  | 158.6        | 154.7        | 178.8        | 238.4        | 326.9        | 292.8        | 334.6        | 343.2        |
| <b>Net Margin</b>                                                                                           | <b>21.0%</b> | <b>17.9%</b> | <b>19.5%</b> | <b>23.1%</b> | <b>25.9%</b> | <b>28.8%</b> | <b>29.8%</b> | <b>28.0%</b> |

Table 4 - Source: Investing.com Pro, Chase Research

### 3. Nigeria – effective power shift to MTN + Airtel and a regulator-backed tariff hike

#### What happened:

Nigeria still has four licensed mobile brands on paper, but MTN Nigeria and Airtel Nigeria are the only two truly scalable, well-capitalized national networks. In January 2025, after years of operators saying they couldn't fund networks at old prices, the Nigerian Communications Commission approved about a 50% increase in telecom tariffs — the first meaningful nationwide hike since 2013. The labour union even threatened protests over how steep it was.

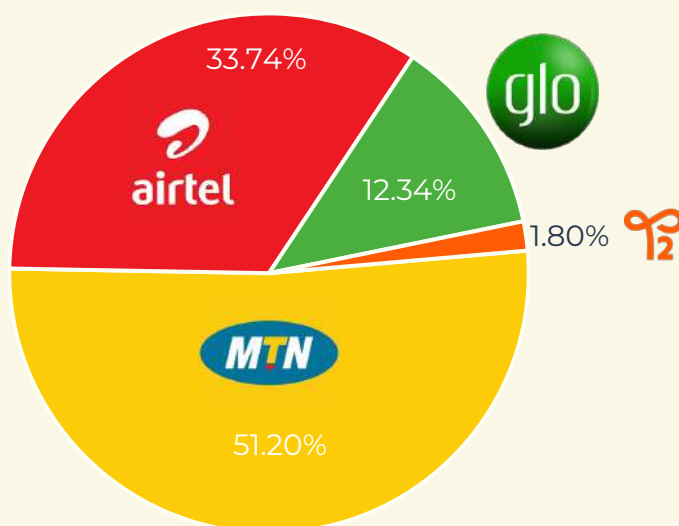


Chart 12 – Telco's Market Share – Nigeria – Source: Nigerian Communications Commission (NCC), Chase Research

#### ARPU / monetization impact:

After that tariff reset, MTN Nigeria and Airtel Nigeria both saw a step-change in monetization: their combined ARPU jumped ~31.6% year-on-year in Q2 2025. Airtel Nigeria's ARPU climbed from about \$1.70 to \$2.10 (+23.5%), and MTN Nigeria's from about \$2.19 to \$3.02 (+37.9%). Management said this surge is finally unlocking long-delayed capex and network upgrades.

#### Why it went up:

When only two operators really matter commercially, it's easier to move in lockstep on headline tariffs once the regulator gives the green light. The ARPU spike is basically monetization catching up after a decade of price freezes and currency/inflation shocks.

## 4. Uganda – from four players to an MTN–Airtel duopoly

### What happened:

Uganda consolidated in two waves. First, **Airtel acquired Warid (2013)**, combining two #2/#3 challengers under Airtel's brand. Later, **Africell (which had bought Orange Uganda in 2014) exited in Oct-2021**, leaving **MTN and Airtel** as a de-facto duopoly with well over 90% of the market. By 2024–25, UCC reports and industry trackers show the pair controlling virtually the entire market; recent coverage pegs MTN at ~54% and Airtel at ~45%, with only small fringe players remaining.

### ARPU / monetization impact:

With rivalry rationalized, usage and yields rose. **Airtel Uganda's ARPU increased to UGX 10,594 in 2024 (+2.5% YoY)** as the customer base expanded to **16.9m**. **MTN Uganda's service revenue grew 19.5% YoY in 2024** on only **+13.2%** subscriber growth, implying higher revenue per user, driven by **+30.5% data revenue** and strong fintech momentum. In USD terms, Airtel's 2024 ARPU is roughly **~\$2.7–\$2.9/month** at average 2024 FX.

### Why it went up:

After Africell's exit and the earlier Airtel–Warid combination, pricing became less promotional, while operators pushed **bigger data bundles, smartphone financing, and mobile-money ecosystems**. Network quality and coverage kept improving (4G densification; MTN rolled out >500 5G sites by 2024), supporting upsell rather than discount-driven share grabs.

A 2025 **MTN–Airtel network-sharing framework** also points to lower unit costs, enabling monetization without ruinous capex duplication. (Note: a 44% cut to interconnect MTRs in late-2024 briefly pressured voice revenue, but the data/fintech mix more than offset it.)

## Impact on profitability:

Both leaders now post **very high margins and profits**. **MTN Uganda's EBITDA margin improved to 52.2% in 2024** with **PAT up 30% to UGX 641.5bn**, while **Airtel Uganda earned UGX 316.7bn net profit in 2024** on **UGX 1.98tn revenue**—despite elevated energy and rental costs across 2023.

Put together, Uganda shows the classic post-consolidation pattern: ARPU repair, heavier data/fintech mix, and structurally stronger **EBITDA conversion**.

| <div>  <h2>Uganda</h2> </div> |            |            |            |            |            |            |
|----------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|------------|------------|
| Airtel Uganda ('mn USD)                                                                                        | 2014       | 2015       | 2016       | 2017       | 2018       | 2019       |
| Revenue                                                                                                        | 240.46     | 250.1      | 286.5      | 317.8      | 317.8      | 347.1      |
| Cost of Revenue                                                                                                |            | -155.9     | -184.6     | -161.5     | -154.4     | -86.2      |
| Gross Profit                                                                                                   |            | 94.2       | 101.9      | 156.3      | 163.4      | 260.9      |
| Gross Profit Margin                                                                                            |            | 37.7%      | 35.6%      | 49.2%      | 51.4%      | 75.2%      |
| EBITDA                                                                                                         |            | 72.8       | 95.6       | 148.5      | 164.3      | 172.4      |
| EBITDA Margin                                                                                                  |            | 29.1%      | 33.4%      | 46.7%      | 51.7%      | 49.7%      |
| Net Income                                                                                                     | -20.54     | 25.5       | 44.5       | 67.4       | 91         | 85.9       |
| <b>Net Margin</b>                                                                                              | <b>-9%</b> | <b>10%</b> | <b>16%</b> | <b>21%</b> | <b>29%</b> | <b>25%</b> |

Table 5 - Source: Investing.com Pro, Chase Research

## Removing one offs and adding Telenor Numbers would lead to high current earnings run rate:

Removing one offs and adding Telenor's earnings would lead to a current earnings run rate of PKR 19-32bn per annum or PKR 3.7-6.2/share. Normalizing for non-core items, the earnings picture already looks materially better.

The quarterly snapshots show a clear operating inflection through late-2024 into 2025: gross margin stepping up into the low-/mid-30s, EBITDA margin rising from the mid-20s to ~40% by Sep-25, and operating margin reaching the mid-teens.

That lift is visible in operating profit as well—moving from low/volatile prints in 2022–23 to high single-digit/low double-digit billions of PKR per quarter in 2024–25.

The statutory PAT line, however, has been masked by sizeable “other charges,” dominated by the UBank clean-up and related credit costs.

Stripping these one-offs out of the P&L converts the recent quarters from optically weak to solidly profitable, and—more importantly—aligns reported earnings with the underlying margin trajectory.

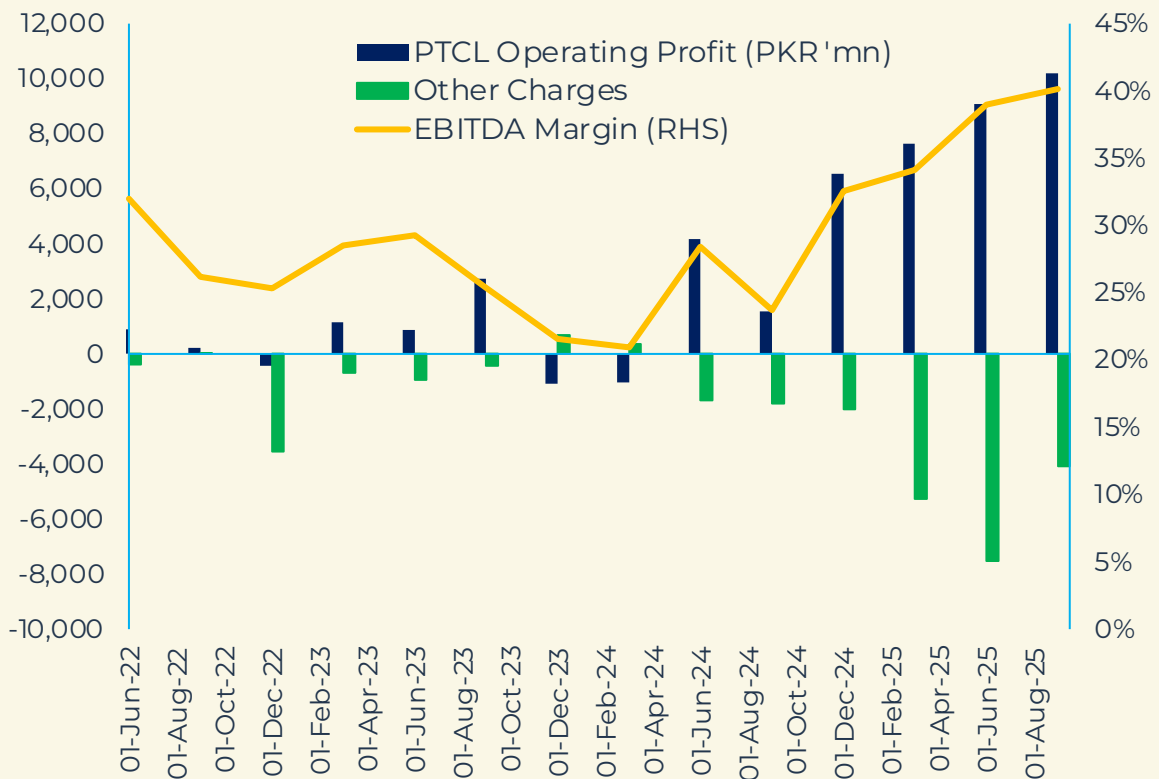


Chart 13 – PTCL Profits - Source: Chase Research

On a pro-forma basis, including Telenor Pakistan's contribution, the delta becomes substantial. Quarterly PAT + Telenor Profit lands in the ~PKR 6–8bn range per quarter in mid-2025, even before integration synergies.

Annualized, that implies ~PKR 19–32bn in normalized earnings power for the combined entity, a step-change from legacy PTCL standalone prints that were weighed down by non-core charges.

Mechanically, the bridge is straightforward: remove the episodic UBank hit from PTCL's telecom core, then add Telenor's steady profitability; the result is a cleaner, larger earnings base that better reflects the improving unit economics (higher ARPU, heavier data bundles) already flowing through the income statement.

The forward set-up is constructive. With ARPU re-baselining, mix shifting further toward broadband/data, and EBITDA margins now anchored in the 30s to ~40%, incremental revenue drops through at a higher rate than in prior years.

Layer in integration benefits—overlapping SG&A, network and energy opex, distribution, vendor terms—and pro-forma earnings can compound from today's base. Key sensitivities remain (pace of the UBank clean-up, tax/levy volatility, FX, and execution risk around integration), but the direction of travel is clear in the snapshots: once one-offs are stripped and Telenor is added, PTCL's earnings profile re-rates from repair to growth.

| Description                                      | Jun-24  | Sep-24  | Dec-24  | Mar-25  | Jun-25  | Sep-25  |
|--------------------------------------------------|---------|---------|---------|---------|---------|---------|
| Net sales                                        | 57,300  | 56,795  | 55,816  | 61,850  | 62,749  | 63,723  |
| Cost of sales                                    | -41,820 | -43,959 | -35,938 | -41,880 | -41,943 | -42,153 |
| Gross profit                                     | 15,480  | 12,837  | 19,878  | 19,970  | 20,807  | 21,571  |
| Gross Margin                                     | 27.0%   | 22.6%   | 35.6%   | 32.3%   | 33.2%   | 33.9%   |
| Selling/distribution expenses                    | -3,309  | -3,418  | -3,415  | -3,955  | -3,373  | -3,006  |
| Administrative expenses                          | -7,995  | -7,864  | -9,913  | -8,375  | -8,362  | -8,362  |
| Operating profit                                 | 4,176   | 1,555   | 6,549   | 7,640   | 9,071   | 10,202  |
| Operating Margin                                 | 7.3%    | 2.7%    | 11.7%   | 12.4%   | 14.5%   | 16.0%   |
| Depreciation & amortization                      | 12,101  | 11,922  | 11,629  | 13,473  | 15,376  | 15,376  |
| EBITDA                                           | 16,277  | 13,476  | 18,178  | 21,113  | 24,447  | 25,578  |
| EBITDA Margin                                    | 28.4%   | 23.7%   | 32.6%   | 34.1%   | 39.0%   | 40.1%   |
| Financial charges                                | -12,753 | -12,069 | -13,947 | -13,447 | -12,033 | -10,653 |
| Other income                                     | 4,767   | 2,887   | 11,514  | 5,526   | 3,310   | 3,023   |
| Other charges                                    | -1,678  | -1,796  | -2,013  | -5,261  | -7,516  | -4,089  |
| Share of associates' profit/(loss)               | 0       | 0       | 0       | 0       | 0       | 0       |
| Non-recurring items                              | 0       | 0       | 0       | 0       | 0       | 0       |
| Profit before tax                                | -5,488  | -9,423  | 2,102   | -5,542  | -7,167  | -1,517  |
| Taxation                                         | 2,085   | 3,106   | -1,173  | 1,576   | 1,234   | 239     |
| Profit after tax                                 | -3,403  | -6,316  | 929     | -3,965  | -5,933  | -1,278  |
|                                                  | -5.9%   | -11.1%  | 1.7%    | -6.4%   | -9.5%   | -2.0%   |
| Profit after tax a/t non-controlling interest    | 0       | 0       | 0       | 0       | 0       | 0       |
| Profit after tax a/t company owners              | -3,403  | -6,316  | 929     | -3,965  | -5,933  | -1,278  |
| Preference dividends                             | 0       | 0       | 0       | 0       | 0       | 0       |
| Profit after tax & pref. div. a/t company owners | -3,403  | -6,316  | 929     | -3,965  | -5,933  | -1,278  |
| EPS - Consolidated                               | -0.67   | -1.24   | 0.18    | -0.78   | -1.16   | -0.25   |
| EPS - Diluted                                    | -0.67   | -1.24   | 0.18    | -0.78   | -1.16   | -0.25   |
| DPS                                              | 0       | 0       | 0       | 0       | 0       | 0       |
| Consolidated PAT                                 | -3,403  | -6,316  | 929     | -3,965  | -5,933  | -1,278  |
| Consolidated PAT Without Other Charges           | -1,725  | -4,520  | 2,942   | 1,296   | 1,583   | 2,811   |
| EPS Without Other Charges                        | (0.34)  | (0.89)  | 0.58    | 0.25    | 0.31    | 0.55    |
| Quarterly PAT + Telenor Profit                   | 2,025   | -770    | 7,942   | 6,296   | 6,583   | 7,811   |
| EPS without other charges + Telenor              | 0.40    | (0.15)  | 1.56    | 1.67    | 1.29    | 1.53    |

Table 6 - Source: Chase Research

## Consolidation Efficiencies:

Post merger duplicate costs will be gradually eliminated and as the merged entity will own 24,000 towers post consolidation, it is expected that cost efficiencies could be as high as PKR 21bn after reducing number of towers by 7000.

Telco consolidation typically unlocks value through three levers:

- (i) network and energy opex—rationalizing overlapping cell sites, backhaul, power, and field maintenance;
- (ii) shared platforms—converging spectrum grids, RAN vendors, core, IT/BSS, billing, customer care, and distribution; and
- (iii) capex avoidance—fewer sites to upgrade for 4G densification and future 5G, better spectrum contiguity (higher spectral efficiency, fewer radios), and stronger procurement terms. The result is a structurally lower cost-per-GB and a higher EBITDA conversion on each incremental rupee of revenue.

For Ufone–Telenor, these mechanics are unusually tangible because the operators' footprints overlap meaningfully in urban corridors. Post-merger, duplicate costs can be taken out in phases as networks are integrated and coverage redundancy is removed.

Post-merger duplicate costs will be gradually eliminated and as the merged entity will own 24,000 towers, it is expected that cost efficiencies could be as high as PKR 21bn after reducing the number of towers by 7,000—the implied opex relief is c. PKR ~3mn per retired site per year across rent, energy (diesel/electricity), security, and maintenance. Layer on backhaul/fiber lease consolidation, two cores→one, IT/BSS and call-center unification, and overlapping sales/marketing spend coming out, and you arrive at a credible multi-year synergy program with a run-rate ramp over ~18–36 months.

Just as important, capex avoidance follows: fewer nodes to modernize, single RAN/vendor roadmaps, and harmonized spectrum blocks reduce both the size and complexity of the 4G expansion and any 5G pilot.

### **Global precedents support this playbook:**

India's post-shakeout triopoly (Jio–Airtel–Vi) used site rationalization, spectrum refarming, and coordinated tariff repair to drive ARPU and margin recovery—proof that cost-out plus pricing hygiene can reset industry economics.

Indonesia's Indosat Ooredoo–Hutchison merger (IOH) delivered step-ups in EBITDA through network integration and procurement scale while capping capex intensity.

Thailand's True–DTAC combination is executing a multi-year site and spectrum harmonization plan aimed at double-digit billions (THB) of annual run-rate savings, alongside capex efficiencies from a denser, shared grid.

Brazil's carve-up of Oi's mobile assets among TIM/Vivo/Claro similarly improved load factors on existing networks and reduced duplicative opex, with ARPU stabilization following.

### **What could this mean in Pakistan?**

First, EBITDA uplift: network/energy opex, leases, and IT/BSS represent the majority of telco operating costs; taking out thousands of redundant sites and platforms drives a high-confidence, recurring saving that drops through at a high rate.

Second, better service at lower unit cost: a unified spectrum grid improves throughput and coverage, reducing churn and customer-care load. Third, pricing discipline: fewer operators typically brings less destructive promo cycling; coupled with rising data usage, that can lift blended ARPU without relying solely on headline hikes.

Execution risks remain—integration complexity, customer migration and QoS during cutovers, and policy/tax noise—but the direction of travel is clear. If management sequences network integration first, platforms second, and distribution/brand last, the Ufone–Telenor merger can pivot the combined entity from repair to profitable scale, with the PKR-24bn tower rationalization illustrating only one (albeit large) slice of the synergy stack.

## How does ARPU in Pakistan compare to other countries and what could happen post sector consolidation?

Pakistan's ARPU has followed a three-phase trajectory since liberalization. In the mid-2000s, deregulation and intense price competition drove a rapid decline from roughly US\$9 in 2003–2004 and US\$6 per month (2004–05) to the low US\$2–3 range by 2011–12 as voice was commoditized, multi-SIM behavior proliferated, and promotional pricing dominated.

Since 2020, the drivers have shifted: data usage has become the principal monetization lever, bundle curation has improved product mix, and successive tariff re-baselining has begun to flow through. The regulator's latest snapshots place the sector at roughly PKR 276 in FY24 and around PKR 300–330 across leading operators through 2025—evidence of a durable local-currency uplift ahead of full consolidation benefits.

There is credible room for further re-rating. On a USD basis, Pakistan remains among the lowest globally—insufficient relative to dollar-denominated spectrum and network costs—yet international experience shows affordability alone does not cap ARPU. Lower-income peers such as Nigeria, Uganda, and Malawi consistently clear higher blended ARPUs (roughly US\$2–3+) because market structure and tariff architecture permit rational pricing.

The implication for Pakistan is straightforward: with disciplined competition, more thoughtful entry-level packs, and continued migration to larger data bundles and shared/family plans, effective yields can rise without relying solely on headline price shocks.

India's experience after the 2016–2018 shake-out is instructive. Sector consolidation—culminating in the Vodafone–Idea merger—reset competitive dynamics, enabling industry-wide tariff actions (2019, 2021, and subsequent rounds) and a shift toward premium plan curation. ARPU moved decisively higher (e.g., Airtel near ₹250), demonstrating how pricing power normalizes once promotional intensity is contained and scale economics take precedence over raw subscriber counts. Pakistan's path will differ, but the mechanism is analogous: cleaner market structure first; monetization and quality-of-service reinforcement next.

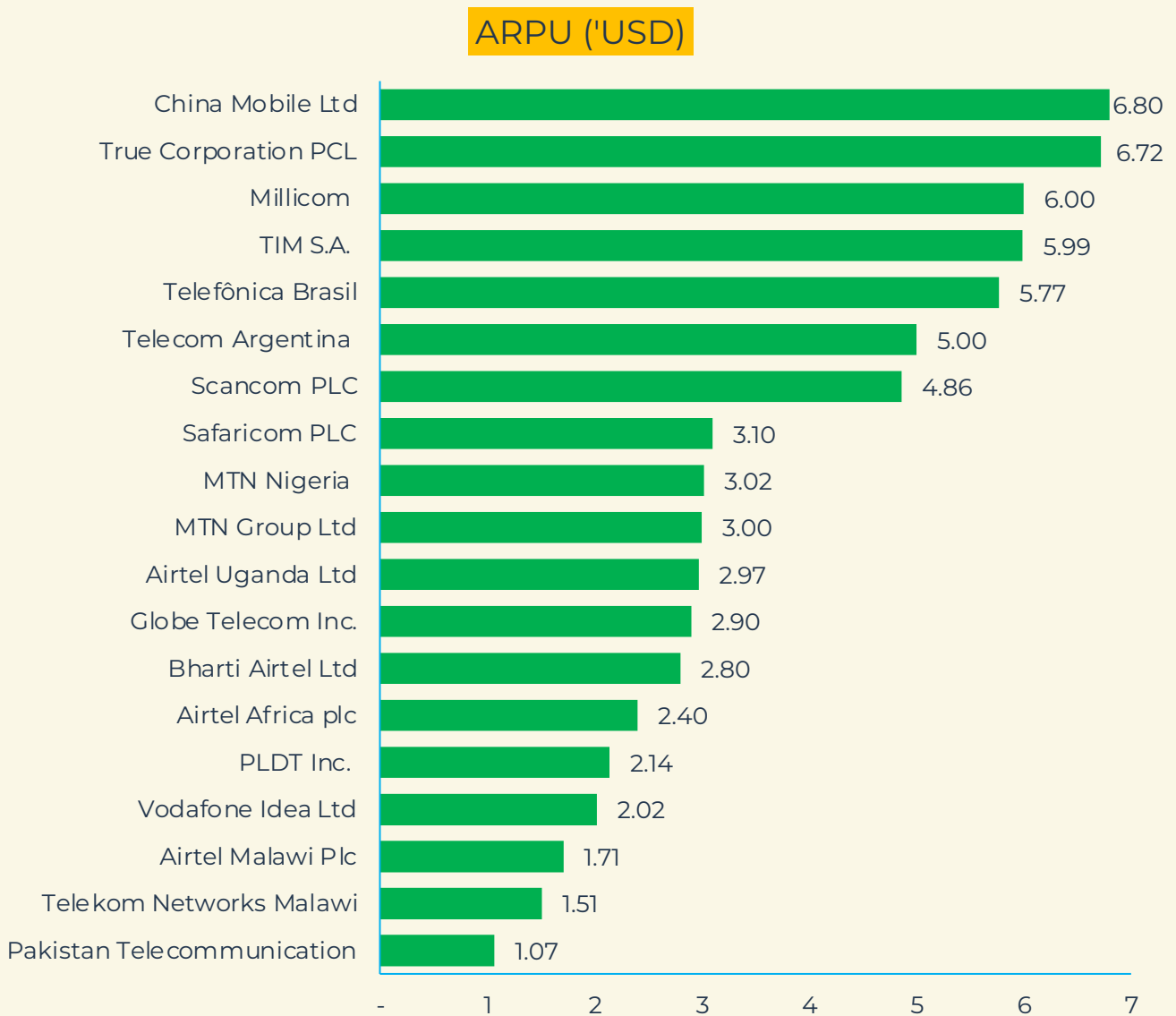


Chart 14 – Telco's ARPU - Source: Chase Research

## Outlook (12–24 months)

Base case: industry ARPU advances from ~PKR 280 towards PKR 480 over 5 years as ultra-low packs are rationalized, heavier data buckets lift realized yields, and QoS improvements support willingness to pay.

Upside: a quicker step-up toward PKR 400 if consolidation completes cleanly, tariff discipline holds, and fiscal policy avoids additional sectoral levies can even happen within the next 2 years

Downside risks: renewed price wars, adverse tax changes, or FX shocks that suppress USD-translated metrics and delay capex-led service improvements.

Net-net, ARPU in Pakistan appears to have exited its structural trough. With market structure improving and pricing hygiene strengthening, the sector has a clear path to incremental monetization—much like peer markets that achieved higher ARPUs despite lower per-capita incomes.

## Bargain Purchase

PTCL is acquiring Telenor Pakistan at an enterprise value (EV) of PKR 108 bn. With Telenor Pakistan carrying more than PKR 108 bn of debt at end-2024, the transaction economics imply a de-minimis (or negative) equity value after customary debt-like and working-capital adjustments.

In plain terms, the buyer is largely assuming obligations in exchange for the operating platform (customers, spectrum, network, distribution) and the synergy potential that comes from folding it into PTCL/Ufone. This pricing reflects a stressed seller backdrop—FX constraints, elevated energy and tax burdens, and industry ARPU at global lows—rather than a view that the asset lacks franchise value.

On headline EV/Sales, this is among the cheapest large telco transactions of the past decade. Here are some deal prices:

Thailand (True + DTAC): ~3.23× sales

Brazil (Oi Móvel carve-out): ~2.29× sales

India (Vodafone + Idea): ~2.29× sales

Telenor Pakistan: ~0.88× sales

At ~0.9× sales, Telenor Pakistan clears at a 60–70% discount to recent emerging-market consolidation prints. Part of that gap is macro (Pakistan country risk, FX, taxation), part is industry structure (four-player price pressure), and part is capital intensity (diesel/electricity and tower costs). But the spread also embeds the option value of consolidation—i.e., what PTCL can capture post-integration that a standalone owner could not.

Why this can be a “bargain purchase.” At such a low EV/Sales, modest operational improvements swing returns disproportionately. If PTCL executes on the known cost levers—site rationalization, single-RAN/vendor roadmaps, IT/BSS and care consolidation, backhaul and energy efficiencies—while stabilizing pricing and nudging ARPU higher, the EV/EBITDA of the acquired base compresses quickly, and equity value accretes even before top-line acceleration.

Depending on the final fair-value exercise under IFRS 3, the transaction could even qualify for bargain-purchase accounting (negative goodwill) if the fair value of identifiable net assets exceeds consideration—another sign of how conservatively it’s been priced.

**Strategic takeaway:** Relative to global precedents, PTCL is effectively buying a scaled network, spectrum and customer base at a fraction of peer deal multiples, with upside tied to execution rather than blue-sky growth. If management delivers on integration and the sector sustains pricing discipline post-merger, this entry price sets a foundation for outsized equity value creation versus typical telecom M&A, where synergies often serve merely to justify full prices. Here, the price itself is the edge—and the catalyst is consolidation.

On an EV/subscriber basis, the Telenor Pakistan purchase clears at about US\$9-10 per subscriber assuming ~40–45mn active subs at signing. For context, using each market's deal EV/Sales and contemporaneous blended ARPU to infer EV per user ( $EV/sub \approx 12 \times ARPU \times EV/Sales$ ):

True–DTAC (Thailand) screens around US\$220–270/sub (ARPU ~US\$6–7;  $3.23 \times$  sales), Oi Móvel carve-out (Brazil) around US\$90–120/sub (ARPU ~US\$3.5–4.5;  $2.29 \times$ ), and Vodafone–Idea (India) roughly US\$35–45/sub (ARPU ~US\$1.3–1.7;  $2.29 \times$ ).

Even allowing for differences in “active” definitions and country risk, PTCL's entry cost per user is an order of magnitude below recent EM precedents—leaving substantial headroom for value capture as ARPU normalizes and network/IT synergies are realized post-merger.

## Valuation & Key Assumptions

We value PTCL on a consolidated basis using a DCF cross-checked by target P/E multiples. Our base case yields a **12-month target price of PKR 62 per share**, implying attractive forward multiples given the EPS trajectory post-Telenor Pakistan consolidation:

**2026E EPS:** PKR 6.39 → **Target P/E 2026E:** ~9.7x (assuming full year merged entity)

**2027E EPS:** PKR 10.88 → **P/E 2027E:** ~5.7x

**2028E EPS:** PKR 15.09 → **P/E 2028E:** ~4.1x

This embeds conservative assumptions on synergies and ARPU uplift versus both global and local consolidation precedents.

### 1. Organic growth & ARPU assumptions

Our central driver is a gradual normalization of mobile ARPU from an exceptionally low base:

**2026 mobile ARPU: PKR 280 per user per month ARPU growth: +15% per year from 2027–2030**, taking ARPU to only PKR 490 by 2030.

This compares with Jazz's ARPU of c. PKR 236/month immediately after the Mobilink–Warid consolidation in 2017, when VEON disclosed Pakistan ARPU at US\$2.2 (PKR 236 at the time). In other words, our 2026 ARPU is only ~27% higher than a 2017 level, despite nine years of high inflation, currency depreciation and data-usage growth, implying **continued real ARPU compression** in our base case.

On top of this ARPU path, we assume:

**Subscriber base:** low single-digit growth (2%), with share stabilization after the Ufone–Telenor combination rather than aggressive market-share gains.

**Usage mix:** ongoing shift to data and bundles, but we do not assume premium pricing for 5G in the explicit forecast period.

**Fixed broadband (FTTH):** high-teens revenue growth from a small base, driven by gradual copper migration and selective greenfield roll-out, but no “hyper-growth” FTTH scenario.

Together, these assumptions drive **EPS of PKR 6.39 / 10.88 / 15.09** in 2026/27/28 – a ~50%+ 2-year EPS CAGR off a depressed 2026 base, but still leaving PTCL at mid-single-digit P/E on our 2027–28 numbers.

## 2. Synergy assumptions – “minimum capture” base case

Given execution and regulatory risk, we explicitly model **only the lower band of potential synergies** from the PTCL–Telenor Pakistan / Orion Towers combination:

**Cost synergies:** primarily from network integration (spectrum refarming, tower overlap, transmission/backhaul optimization) and overhead rationalization. We assume a gradual uplift in Group EBITDA margin by the late 2020s, but **below** what is typically captured in well-executed mobile consolidations.

**Capex synergies:** modest reduction in overlapping mobile capex, but we do *not* credit any aggressive capex cuts that could jeopardize network quality or market share.

**Revenue synergies:** modeled very conservatively – largely limited to reduced price-based competition and better channel/product optimization. We deliberately do **not** build in “blue-sky” upsides from cross-selling, financial services, or tariff hikes beyond our ARPU framework above.

In practice, we are valuing PTCL closer to a **“minimum synergy” outcome** rather than a best-case integration, which provides upside optionality if management executes better than we model.

### 3. Conservatism vs global consolidation precedents

Our assumptions are intentionally restrained versus what has actually played out in other consolidating markets:

#### India post-2019

Following the brutal Jio-led price war and subsequent consolidation to three private players, India’s mobile ARPU has already **almost doubled**:

Industry ARPU increased from **~INR 98 in Sep-2019 to ~INR 193 by Sep-2024**, driven by repeated tariff hikes and mix upgrades.

Bharti Airtel’s own ARPU rose from **INR 123 in Q1 2019 to INR 154 by Q4 FY20**, as the first round of price repair came through.

Today Airtel and Jio are already in the **INR 200–260 ARPU range**, with analysts expecting further hikes and ARPU targets of INR 280+ by FY26.

Against that backdrop, our Pakistan ARPU path from PKR 280 in 2026 to ~PKR 490 by 2030 looks **restrained**, especially when translated to USD and adjusted for Pakistan’s much higher inflation and tax load vs India.

## Pakistan after Warid–Mobilink (Jazz) merger

The Warid–Mobilink merger, completed mid-2016, is widely seen as the first major consolidation step in Pakistan's mobile sector. VEON and local analysts noted that:

Mobilink's **service revenue growth improved from –5% to +12% YoY**, and **ARPU swung from –11% YoY to +15% YoY** as the turnaround and consolidation took effect. Pakistan's ARPU, while still among the lowest globally, showed a distinct upward trend in subsequent years as price competition eased and broadband usage increased.

Our ARPU curve implicitly assumes **less aggressive repair** than India's post-2019 experience and only a **gradual replication** of the Jazz/Warid uplift, despite a more concentrated market structure (effectively three scaled players) and far higher inflation today.

## 4. DCF parameters and implied returns

At a high level, our DCF:

Discounts FCFE in PKR using a **17% cost of equity** to reflect sovereign risk, FX volatility and regulatory uncertainty.

Applies a **low single-digit terminal growth rate** (2%), well below nominal GDP growth and consistent with mature-market telecom assumptions.

On these inputs, the present value of PTCL's forecast cash flows plus terminal value supports an equity value of **PKR 62 per share**. Given the EPS trajectory above, this implies: PTCL trades on **single-digit P/E** on 2026E, collapsing to **mid-single-digit P/E** by 2027–28 in our base case.

Any outperformance on synergy capture or ARPU repair (for example, if Pakistan follows a trajectory closer to India's post-2019 experience) would justify a **higher fair value and/or higher warranted P/E multiple** than the implicit 2026E 9.5x in our target.

## 5. Summary – why PKR 62 is still conservative

In summary, our PKR 62 target price is built on:

**Minimum-synergy integration** assumptions;

**Moderate ARPU repair** (from PKR 300 in 2026 to ~PKR 525 by 2030), still below what global precedents would suggest;

**No blue-sky upside** from FTTH hyper-growth, digital adjacencies, or aggressive pricing power; and

**A demanding discount rate and low terminal growth.**

Given how ARPU and profitability evolved in India after 2019 and in Pakistan after the Warid–Mobilink merger, our base case looks **firmly on the conservative side**, leaving meaningful upside if consolidation dynamics and tariff repair play out closer to historical patterns.

| Financial Snapshot                                 |         |          |          |          | (PKR Mn.) |          |          |          |
|----------------------------------------------------|---------|----------|----------|----------|-----------|----------|----------|----------|
| Key Financials                                     | 2021A   | 2022A    | 2023A    | 2024A    | 2025E     | 2026E    | 2027E    | 2028E    |
| Total Revenue                                      | 137,625 | 151,644  | 188,667  | 219,782  | 252,932   | 406,073  | 462,009  | 527,231  |
| Cost of Services                                   | 103,096 | 120,168  | 145,932  | 162,382  | 168,971   | 245,971  | 258,568  | 284,425  |
| Gross Profit                                       | 34,530  | 31,475   | 42,735   | 57,400   | 83,960    | 160,102  | 203,440  | 242,806  |
| Gross Margin                                       | 25.1%   | 20.8%    | 22.7%    | 26.1%    | 33.2%     | 39.4%    | 44.0%    | 46.1%    |
| Administrative & general expenses                  | 18,237  | 20,429   | 26,801   | 32,859   | 33,628    | 53,869   | 59,256   | 65,182   |
| Selling & marketing expenses                       | 8,147   | 8,562    | 12,268   | 13,305   | 13,400    | 16,366   | 18,002   | 19,803   |
| Impairment loss on trade debts and contract Assets | 3,062   | 848      | 1,394    | 5,117    | 14,975    | 500      | 500      | 500      |
| Total Operating Profit                             | 29,447  | 29,839   | 40,462   | 51,282   | 62,003    | 70,735   | 77,759   | 85,484   |
| Operating Profit                                   | 5,083   | 1,636    | 2,273    | 6,118    | 21,957    | 89,366   | 125,682  | 157,322  |
| Past service cost - pension                        |         |          |          |          | 5,890     |          |          |          |
| Other Income                                       | 9,800   | 15,647   | 30,401   | 25,619   | 14,882    | 21,424   | 21,424   | 21,424   |
| Finance cost and other expenses                    | 11,496  | 29,705   | 55,537   | 52,634   | 46,787    | 57,370   | 54,111   | 48,439   |
| Profit before tax                                  | 3,387   | (12,422) | (22,863) | (20,897) | (15,837)  | 53,421   | 92,995   | 130,307  |
| Income Tax                                         | (812)   | 4,633    | 6,133    | 6,503    | 3,549     | (20,834) | (36,268) | (50,820) |
| Profit after tax                                   | 2,575   | (7,789)  | (16,729) | (14,394) | (12,288)  | 32,587   | 56,727   | 79,488   |
| EPS                                                | 0.50    | (1.53)   | (3.28)   | (2.82)   | (2.41)    | 6.39     | 11.12    | 15.59    |

**Table 7 – Financial Snapshot – Source: Company Financials, Chase Research**

| Sensitivity Table |      |      |      |      |       |       |       |       |
|-------------------|------|------|------|------|-------|-------|-------|-------|
|                   | ARPU |      |      |      |       |       |       |       |
|                   | 240  | 260  | 280  | 300  | 320   | 340   | 360   | 380   |
| 2026E<br>EPS      | 2.37 | 4.38 | 6.39 | 8.40 | 10.41 | 12.42 | 14.43 | 16.44 |

## Risks

### 1. Regulatory approvals & policy risk

#### Merger approvals and conditions

The PTCL–Telenor Pakistan / Orion Towers transaction requires and has attracted scrutiny from multiple regulators (CCP, PTA, SECP, etc.). The Competition Commission has already framed the deal under the “substantial lessening of competition” (SLC) test and imposed behavioral remedies including:

- Separate boards/management for PTCL and the merged mobile entity
- Restrictions on information-sharing and related-party transactions
- Appointment of an independent Third-Party Reviewer (TPR) for five years to monitor compliance, with quarterly reporting and the ability to recommend corrective actions and penalties in case of non-compliance

There is still risk that:

- Approvals are delayed, pushing back synergy realization and potentially reducing NPV.
- Additional remedies are imposed (e.g., on pricing, spectrum, or tower access), diluting the economic value of the merger.
- Non-compliance – even inadvertent – triggers fines or tighter restrictions, impacting earnings and strategic flexibility.

More broadly, telecom in Pakistan remains heavily regulated, with price controls, spectrum conditions and quality-of-service obligations that may limit PTCL’s ability to fully monetize its network.

### 2. Risk from Starlink / LEO satellite broadband (disruption risk)

Low-Earth-Orbit (LEO) satellite constellations such as Starlink introduce a new layer of competition to traditional fixed and mobile networks, particularly in underserved geographies.

## Time horizon and magnitude of risk

**0–3 years:** We see *low* earnings risk for PTCL Group. LEO broadband in emerging markets remains constrained by:

- High terminal/device cost relative to local income levels
- Need for regulatory/spectrum approvals and coordination
- Limited capacity vs. dense urban demand

In this period, Starlink-type services are most likely a niche product for high-income or remote users, and in many cases complementary to terrestrial networks rather than a full substitute.

**3–7 years:** We see emerging medium risk if: Hardware costs and download speeds continue to improve; and regulators open the market more fully to LEO operators. This could start to affect PTCL's growth runway in specific sub-segments (rural fixed broadband, some high-value corporate links, and government connectivity projects).

**7+ years:** Over a longer horizon, if direct-to-device (D2D) satellite services mature and become affordable, LEO could become a more visible ceiling on ARPU and market share in some segments, though by then PTCL will also have had time to adapt its own business model (bundling, wholesale, or even partnership with LEO players).

## 3. Execution risk on PTCL–Telenor merger synergies

Our valuation assumes that PTCL successfully executes on synergy levers from the Telenor Pakistan acquisition, including:

- Network integration (spectrum refarming, tower rationalization, backhaul optimization)
- IT and billing convergence
- Distribution and channel consolidation
- Overhead and staff rationalization
- Capex discipline and avoidance of duplicated spend

There is meaningful risk that:

- Integration takes longer than planned, delaying OPEX and CAPEX synergies.
- One-off integration costs (IT, branding, redundancies, re-negotiation of leases) are higher than budgeted.
- Cultural and organizational frictions (two legacy operators, unionized staff, multiple regulators) reduce the achievable synergy pool.

Given PTCL Group's already thin and volatile profitability at the consolidated level (2018–2023 operating margins in single digits, with sizeable non-cash impairments and rising finance costs at group level), a material shortfall in synergies would have a disproportionate impact on equity value.

#### **4. Tariff / pricing and ARPU risk (regulator blocking frequent price increases)**

A core pillar of the consolidation thesis is ARPU uplift from:

- Removal of a weak #3/#4 mobile operator
- Industry discipline on bundles and promotions
- Progressive repricing of data and voice packages in an inflationary environment

However:

- PTA, MoIT and CCP remain sensitive to consumer affordability and may scrutinize tariff increases more closely after the merger.
- Populist pressure, especially during high inflation or election cycles, could lead to formal or informal caps on the frequency and magnitude of price hikes.
- Precedent in other markets (e.g., price rollback orders or “tariff holidays”) suggests that regulators sometimes trade off operator profitability to contain public backlash.

If PTCL/Telenor are unable to raise bundle prices as frequently as in our base case, ARPU growth may under-shoot, delaying deleveraging and compressing the NPV of the deal. This is one of the key downside risks to our investment thesis.

## 5. Legal, tax and pension-related risks

PTCL carries legacy legal exposures that sit outside the core telecom business but can still impact equity value:

**Pension scheme litigation:** The auditors highlight ongoing litigation around certain pensioners' claims under PTCL's funded pension scheme and explicitly note that no provision has been booked against these claims. An adverse outcome or forced enhancement of benefits could create a material one-off cash outflow.

**Income tax recoverable & tax litigation:** PTCL has accumulated a large income tax recoverable balance, with multiple tax assessments pending at different appellate forums. Timing and quantum of recoverability remain uncertain, and an adverse ruling could crystallize additional tax charges or delay cash inflows compared with management expectations.

**Impairment risk on group investments:** The auditors treat impairment testing of PTML (Ufone) and Ubank as key audit matters, highlighting the sensitivity of their carrying values to ARPU growth, margins, loan growth and discount-rate assumptions. Underperformance versus plan could force further impairments at PTCL level. These items introduce tail-risk to equity and reduce visibility on distributable cash in the medium term.

## 6. Macro, FX and funding risk

PTCL Group is exposed to the broader Pakistan macro environment:

**FX risk:** A significant portion of capex (network equipment, software, spectrum) and some operating costs are USD-linked. Sharp PKR devaluation compresses margins and raises funding needs.

**Interest-rate risk:** The group carries substantial borrowings; high domestic rates or delays in rate-cut cycles increase finance costs and depress net earnings.

**Demand risk:** Slower-than-expected GDP growth, high inflation and weak real incomes could suppress data usage and delay monetization of higher-priced bundles, especially in the price-sensitive prepaid segment.

## 7. Technology and competitive risk (non-Starlink)

Beyond LEO satellites, PTCL faces more conventional competitive risks:

Aggressive responses from Jazz and Zong post-merger (pricing, network investment, handset financing) could limit market-share gains for the merged Ufone/Telenor entity. Fiber overbuild by regional FTTH players and cable operators in lucrative urban corridors could pressure PTCL's broadband growth and pricing power despite its current leadership position.

Rapid shifts in consumer behavior (OTT voice, messaging, video, gaming) may require heavier and more continuous capex just to "stand still" on user experience, squeezing free cash flow if monetization lags. Failure to keep pace on network quality or product innovation would erode the benefits of consolidation.

## 8. Governance, related-party and minority-shareholder risk

With Etisalat as the strategic shareholder and the Government of Pakistan retaining a large stake, PTCL's capital allocation and strategic decisions may at times be influenced by non-minority considerations (e.g., state policy, group-level priorities). Furthermore:

The CCP order explicitly restricts related-party dealings and requires that all PTCL–MergeCo transactions be on an arm's-length, competitive basis, monitored by an independent TPR. Non-compliance could result in penalties or forced changes to commercial arrangements, but even compliant related-party transactions may be perceived by the market as value-transferring if not transparently disclosed.

This governance overlay adds an additional risk premium to the stock in our view.

**Bottom line:**

Our base case assumes that regulatory approvals are obtained broadly in line with the CCP's current conditions, that PTCL executes the Telenor integration with manageable slippage, that regulators tolerate steady (if politically sensitive) tariff increases, and that Starlink/LEO remains a manageable niche competitor over our explicit forecast horizon.

Any material deviation on these fronts – especially a combination of weaker-than-expected synergies and constrained pricing – would be a key downside scenario for the PTCL investment thesis.

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- Total stock return = capital gains + dividend yield

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- Period end target prices, Chase Securities Pakistan Private Limited uses different valuation methodologies including but not limited to:
- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return o arrive at our based methodologies (EVA, Residual Income etc.)

| Rating Definition |                                     |
|-------------------|-------------------------------------|
| Buy               | Total stock return > 15%            |
| Neutral           | Total stock return between 0% - 15% |
| Sell              | Total Stock return < 0%             |