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Mobile Phone Operator MTS Cuts Sales, Profit Forecasts

By The Moscow Times

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MTS cut its revenue growth target from an earlier 3-5 percent range.

Russia's biggest mobile phone operator, MTS, cut full-year sales and core profit forecasts on Wednesday, citing instability in Ukraine, its second-biggest market.

"While in Russia we still expect revenue growth at the upper end of our 4-5 percent range, the impact of the situation in Ukraine will limit the group's revenue growth to at least 1 percent for 2014," MTS chief executive Andrei Dubovskov told reporters.

MTS cut its revenue growth target from an earlier 3-5 percent range. It said it now expects operating income before depreciation and amortization to be flat year-on-year, having previously forecast a 2 percent rise.

Dubovskov said second-quarter sales in hryvna terms increased in Ukraine, where pro-Russian rebels are fighting government forces in the east, but he expected falls in future.

He said the Ukrainian unit's results would be hurt by the economic decline, rising unemployment, a weakening hryvna, as well as the suspension of services in Crimea after it was annexed by Moscow in March and network disruptions in the east.

The company said earlier that MTS-Ukraine, the second-biggest operator in the former Soviet republic after VimpelCom's Kyivstar, was unable to service clients in Crimea.

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The Ukraine crisis weighed on MTS consolidated results in the second quarter with total sales rising by just 1.4 percent, year-on-year to 98.9 billion rubles ($2.7 billion). Analysts had forecast a 1.7 percent increase.

Revenue in Russia alone rose 4.5 percent to 90.4 billion rubles, driven by data services, the company said.

"We are not seeing any difficulties in our main, Russian market," Dubovskov said.

MTS also reported a fall in profits for the second quarter, mainly because of a one-off $320 million gain it booked a year earlier in connection with the settlement of a dispute in Kyrgyzstan.

Its quarterly OIBDA fell 2.6 percent to 43.2 billion rubles, which was still in line expectations. Core profit was also hit by the hryvna's devaluation. Net profit fell 27 percent to 21 billion rubles ($579 million), above a 17.5 billion forecast.

MTS, controlled by oil-to-telecoms conglomerate Sistema, confirmed investment plans and its dividend policy.

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