

MOBILE TELESYSTEMS PJSC
Form 6-K
March 21, 2017

FORM 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
March 21, 2017

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Commission file number: 333-12032

Mobile TeleSystems PJSC

(Exact name of Registrant as specified in its charter)

Russian Federation

(Jurisdiction of incorporation or organization)

**4, Marksistskaya Street
Moscow 109147
Russian Federation**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

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Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

Some of the information in this press-release may contain projections or other forward-looking statements regarding future events or the future financial performance of MTS, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward looking statements by terms such as expect, believe, anticipate, estimate, intend, will, could, may or might, and such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not undertake or intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. We refer you to the documents MTS files from time to time with the U.S. Securities and Exchange Commission, specifically the Company's most recent Form 20-F. These documents contain and identify important factors, including those contained in the section captioned Risk Factors that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, the severity and duration of current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of Russian, U.S. and other foreign government programs to restore liquidity and stimulate national and global economies, our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so, strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses, potential fluctuations in quarterly results, our competitive environment, dependence on new service development and tariff structures, rapid technological and market change, acquisition strategy, risks associated with telecommunications infrastructure, governmental regulation of the telecommunications industries and other risks associated with operating in Russia and the CIS, volatility of stock price, financial risk management and future growth subject to risks.

Q4 2016 HIGHLIGHTS

MTS Group Key figures (RUB bln)	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Revenue	111.6	111.3	0.2%	435.7	426.6	2.1%
of which: Russia	103.8	102.5	1.2%	400.6	391.2	2.4%
Adjusted OIBDA	41.8	43.4	-3.8%	169.3	177.0	-4.4%
of which: Russia	41.0	41.1	-0.2%	162.5	165.1	-1.5%
Operating profit	21.4	20.0	6.9%	87.7	93.9	-6.7%
Profit attributable to owners of the Company:	12.4	7.1	73.2%	48.5	49.5	-2.1%
Profit from continuing operations	12.4	7.7	61.5%	51.8	52.3	-0.9%
Loss from discontinued operation		-0.5	n/a	-3.4	-2.8	18.8%
Operating cash flow				130.6	144.1	-9.4%
Cash CAPEX				83.6	96.1	-13.1%
Net debt				220.9	215.9	2.3%
Net debt / LTM Adjusted OIBDA				1.3x	1.2x	n/a
Free cash flow				47.0	51.0	-7.9%

Mobile subscribers (mln)	Q4 2015	Q3 2016	Q4 2016	Y-o-Y Change %	Q-o-Q Change %
Total	106.7	108.8	109.9	2.9%	0.9%
Russia	77.3	79.0	80.0	3.5%	1.3%
Ukraine ¹	20.4	20.8	20.9	2.5%	0.5%
Armenia	2.1	2.1	2.1	-1.1%	-1.0%
Turkmenistan	1.6	1.6	1.7	2.6%	1.3%
Belarus ²	5.3	5.3	5.2	-1.9%	-1.9%

Andrei Dubovskov, President and Chief Executive Officer, commented on the results:

As we continue to execute on our 3D Strategy, we delivered strong financial results in 2016, despite on-going macroeconomic factors and a challenging competitive environment. Currency volatility in certain markets factored into our Group results, but underlying performance was in line with our expectations.

Looking ahead, we remain cautiously optimistic about the telecom market and strongly feel that MTS is well-positioned to benefit from any improvement in the macroeconomic and operating environment. We are pleased to announce that we continue to pursue our 3D strategy by focusing on *digital* as we aim to use a variety of digital technologies to enhance our data transformation, differentiate ourselves from our competitors and enhance overall efficiencies and shareholder returns.

¹ Including CDMA subscribers

² MTS owns a 49% stake in Mobile TeleSystems LLC, a mobile operator in Belarus, which is not consolidated

KEY CORPORATE DEVELOPMENTS

LAUNCH OF MTS MONEY APP AND NEW MOBILE PAYMENT SYSTEM

MTS launched the mobile app MTS Money , which enables customers to upload virtual banking cards, tickets for public transportation in Moscow and discount coupons to their NFC-enabled smartphones

The launch of the new payment system allows MTS customers to leave their cash and bank cards at home as they will be able to make payments from their mobile accounts in a variety of retail locations for virtually any product or service.

BIG DATA TO DEVELOP MTS RETAIL CHAIN

The launch of a pilot project to utilize Big Data for the optimization of the MTS monobrand retail chain.

MTS LAUNCH INNOVATION CENTER

Launched the Innovation Center, a department that brings a new approach to business development through the launch of new products and services. The Center uses agile development, a flexible methodology, for service development. The establishment of the Innovation Center will reduce the timeline for launching new products by 3-4x.

ACQUISITION OF SMARTS TO DEVELOP LTE NETWORKS

Acquisition of a regional asset of SMARTS to enhance services in the Republic of Mari El through additional spectrum of 14.8 Mhz in the 1,800 Mhz range that will allow to develop LTE networks.

MTS IMPLEMENTS INNOVATIVE CORPORATE GOVERNANCE PRACTICE

MTS was the first company in the history of Russian corporate governance to launch an online service for electronic voting for MTS shareholders.

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NEW DIVIDEND POLICY AND 2016 PAYOUT

In April 2016, the Board of Directors approved a new dividend policy, under which management set a target payout of RUB 25.0 – 26.0 per ordinary MTS share (RUB 50.0 – 52.0 per ADR) per calendar year payable in two semi-annual payments. The policy guarantees a minimum payout of RUB 20.0 per ordinary MTS share (or RUB 40.0 per ADR). The new policy will cover 2016 – 2018.

In 2016, MTS paid out RUB 52.0 bln or RUB 26.0 per share in dividends. In June, MTS paid out its first payment of RUB 28.0 bln (RUB 14.01 per ordinary share or RUB 28.02 per ADR) based on its FY2015 results. In Q4, MTS made an additional payment totaling 24.0 bln or RUB 11.99 per ordinary MTS share (RUB 23.98 per ADR) based on H1 2016 results.

EQUITY TENDER OFFERS

In addition to the dividend payout, the Board has considered the advisability of a share repurchase program as an additional way to create further shareholder value. As part of such a program, the Group could allocate up to 30bln rubles to be spent over the next three years on the repurchase of shares.

In October and December 2016, the Board of Directors gave approval for MTS to launch two Modified Dutch Tender Offers with the goal of returning a maximum of RUB 10 bln to the Company's Holders of Shares of Common Stock and ADR Holders. Through two tenders, launched in October 2016 and January 2017, MTS acquired 17,532,278 shares for a total consideration of RUB 5.0 bln. In transactions related to the tenders, MTS acquired a number of shares proportional to its aggregate ownership from its majority shareholder, Sistema JSFC, at prices determined by the tender. In total, MTS spent RUB 10.0 bln to acquire a total of 35,121,665 shares.

EUROBOND REPURCHASE

MTS repurchased USD 267 mln of Loan Participation Notes due in 2020 (issued in 2010 in the amount of USD 750,000,000 at 8.625%) through a tender offer in June.

PARTNERSHIPS

MTS and Samsung Electronics, the world-leading company in consumer electronics and hi-end IT, announced the signing of a memorandum with the intention to co-operate in developing 5G technologies. Under the strategic partnership, the companies will work on innovations aimed at implementing a LTE-

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Advanced Pro network, developing standards and the deployment of 5G in Russia regions

MTS also concluded a partnership agreement with Huawei, by which Huawei will supply a broader range of smartphones and other consumer electronics for sale through the MTS retail network.

EXIT FROM UZBEKISTAN

MTS sold 50.01% stake in the telecommunications operator Universal Mobile Systems (UMS) to the State Unitary Enterprise Centre of Radio Communication, Radio Broadcasting and Television of The Ministry of Development of Information Technologies and Communications of the Republic of Uzbekistan.

TOWER MARKET

MTS entered the tower infrastructure market with the intention of developing a new business direction to manage existing tower infrastructure and further monetize its asset base. Initially, MTS offered over 5,500 of its towers and antenna support structures for rent in many regions throughout Russia, but has since expanded the program to include most of its towers and sites.

GROUP BUSINESS PERFORMANCE

Group Highlights (RUB bln)	Q4 2016	Q4 2015	Change %	2016	2015	Change %
Revenue	111.6	111.3	0.2%	435.7	426.6	2.1%
Adjusted OIBDA margin	41.8	43.4	-3.8%	169.3	177.0	-4.4%
Profit attributable to owners of the Company margin	37.4%	39.0%	-1.6pp	38.8%	41.5%	-2.7pp
	12.4	7.1	73.2%	48.5	49.5	-2.1%
	11.1%	6.4%	4.7pp	11.1%	11.6%	-0.5pp

CONSOLIDATED FINANCIAL HIGHLIGHTS

Group revenue increased year-over-year 2.1% to RUB 435.7 through the continued execution of our 3D strategy: data, differentiation and dividends. Sustained growth in data usage throughout key markets, coupled with increased handset sales in Russia, offset the negative effect of macroeconomic factors in key segments, such as business markets and roaming users, while the effect of a strengthening ruble continued to dampen the contribution from foreign subsidiaries. Overall, revenue performance outpaced the market in MTS's key geographies.

Despite prolonged macroeconomic volatility and increased levels of competition in MTS's key markets, Group Adjusted OIBDA declined slightly to RUB 169.3 bln. Additional expenses in retail and macroeconomic factors increased costs in Russia, while the strengthening ruble limited the contribution from foreign subsidiaries. Nevertheless, the stabilizing macroeconomic environment and the Group's strategic approach towards efficiency places MTS in a strong position to benefit from an overall improvement in the regional market.

Group net profit decreased slightly for the year to RUB 48.5 bln largely in line with OIBDA trends. Overall, the gradual strengthening of the ruble throughout the year coupled with improved performance of associates, including MTS Bank, offset one-off losses, such as the mid-year disposal of UMS, to deliver healthy earnings for the Group.

Group Adjusted OIBDA Factor Analysis (RUB bln)

Group Net Profit Factor Analysis (RUB bln)

LIQUIDITY AND CASH FLOW

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Debt & Liquidity (RUB bln)	As of December 31, 2016	As of September 30, 2016
Current portion of LT debt and of finance lease obligations	47.7	59.8
LT debt	227.7	208.7
Finance lease obligations	10.4	10.1
Total debt	285.8	278.6
Less:		
Cash and cash equivalents	18.5	36.5
ST investments	8.7	