

Full Year 2020 Earnings Release

24 February 2021

Telecom Egypt today announces its FY 2020 results ending 31 December 2020.

FY 2020 key highlights

- **Consolidated revenue** grew 24% YoY, landing at EGP 31.9bn. The growth was mainly driven by the 39% YoY increase in data revenues, constituting 53% of top line growth, and the doubling of cable projects revenue (+ EGP 1.4bn YoY.)
- **Customer** base grew on all fronts with fixed voice and broadband growing 14% and 20% YoY, respectively, and mobile customers growing 43% YoY, reaching 7.3mn.
- **EBITDA** came in at EGP 11.1bn with a strong margin of 35%, exceeding the FY guidance. Normalized EBITDA, excluding the ERP & one off costs, grew 60% YoY.
- Normalized **operating profit** (excluding one-off costs and the ERP) grew 65% YoY thanks to a high margin revenue mix and continued cost containment efforts, despite a 43% YoY growth in D&A.
- **Net profit** came in at EGP 4.9bn, growing 10% YoY. Normalizing for one-offs (licensing, depreciation, ERP, FX, & VIS sale), net profit would have grown 39% YoY, reaching an all-time high EGP 5.2bn.
- **In-service CapEx** reached EGP 11.9bn, representing 37% of total revenue, while **cash CapEx** reached EGP 11bn (35% of sales).
- **Net debt to EBITDA** stood at 1.6x, compared to 2.1x (normalized for the ERP) in FY 2019, while the effective interest rate declined to 5.9% vs. 7.1% in FY 2019.
- **Net operating cash flow** reached a record high EGP 8.3bn, 3x FY 2019.
- The BoD proposed a **dividend of EGP 0.5 per share** for 2020, 2x 2019, representing a dividend yield of 4.4%.

Adel Hamed, Managing Director and Chief Executive Officer, commented:

"This year's results reflect Telecom Egypt's fortitude and resilience throughout 2020 and its outstanding ability to accommodate the market's sudden shift towards digitization during the Covid-19 outbreak. Our overall operational performance has led to a strong full year EBITDA margin of 35%, an all-time high net profit of EGP 4.9bn, and an operating cash flow of EGP 8.3bn, thanks to our strong top line performance and improved revenue mix.

I am very pleased that our heavy network investments have enabled us to cope with the unanticipated growth in data demand and subscriptions, and led Egypt's average internet speeds to more than double, reaching 35 Mbps by the end of the year. This was reflected in our exceptional growth in data revenue (+39%) and subscribers. I would also like to highlight that our diverse business portfolio continues to secure our growth. We see strong momentum in the submarine cable segment with 2Africa recognized in 2020 as the first cable to circle the African continent. Our domestic wholesale business also continues to thrive on the growing demand for data services.

Going forward, we will capitalize on the additional spectrum that we will soon receive to secure future growth and provide our customers with the best value data products in the market. We also plan to offer a wide range of cutting-edge IT solutions to our local and international customers through our data centres, including Egypt's largest facility that will be commissioned during 2021."

Telecom Egypt Latest Events

Main events in Q4 2020

- ✓ In October, Telecom Egypt announced that it is building Egypt's largest international data center facility. Expected to be commissioned in early 2021 with access to all the global submarine cable systems that land in Egypt, the new data center is going to be the first in the country with the Uptime Institute's certifications in the Design, Constructed Facility, and Operational Sustainability categories.
- ✓ In November, Telecom Egypt announced that the National Telecommunications Regulatory Authority (NTRA) has accepted and approved its financial and technical offer for additional spectrum that was submitted on the 17th of September, 2020. The company is expected to receive 20MHz of spectrum in the 2600MHz band for USD 305mn.
- ✓ In December, Telecom Egypt and Orange Egypt signed an amendment to their mobile-to-fixed termination agreement and an annex to the current agreements extending to 2022 governing international voice services, with the aim of improving their commercial and service quality terms. Additionally, the companies signed another agreement to resolve some pending commercial disputes and develop mechanisms to avoid similar obstacles in the future.

Subsequent events to Q4 2020

- ✓ In early January, Telecom Egypt signed an agreement with Google to provide it with a first of its kind layer three meshed solution on multiple redundant Egypt crossing routes owned by Telecom Egypt. As part of the agreement, Google will also be provided capacity on Telecom Egypt's Mediterranean submarine cable, TE North. The project is expected to go live in H1 2020.
- ✓ In mid-January, Telecom Egypt and the Ministry of Social Solidarity signed an agreement to provide telecommunications services to the Ministry and the beneficiaries of social protection programs, namely the "Takaful and Karama" program. According to the agreement, Telecom Egypt will provide 3.5mn mobile SIMs to the beneficiaries of the program, including a bundle of minutes, text messages, and megabytes per month at a nominal cost.
- ✓ In late January, Telecom Egypt's (WE) fixed network was deservedly named the fastest fixed network in North Africa for the third and fourth quarters of 2020 for reaching average internet speeds of 32.66 Mbps, according to Ookla®, a world leader in measuring and evaluating internet speeds. Evaluations are based on a careful analysis of tests that are run by users through Speedtest®.

Main events in the 9 months ending September 2019

- ✓ In May, China Mobile International, Facebook, MTN Global Connect, Orange, STC, Telecom Egypt, Vodafone, and WIOCC announced that they will partner to build 2Africa, which will be the most comprehensive subsea cable to serve the African continent and Middle East region. The consortium and Airtel also signed an agreement with TE to provide a completely new crossing that links the Red Sea to the Mediterranean.
- ✓ In June, Telecom Egypt and Etisalat Misr signed two first of its kind agreements relating to transmission and mobile-to-fixed interconnection. The first agreement extends for three and a half years with a total value of EGP 2bn, where Etisalat Misr, for the first time, signed a long-term agreement including an annual commitment. Additionally, the two companies have signed a mobile-to-fixed termination agreement representing the first commercial arrangement on mobile-to-fixed between Telecom Egypt and Etisalat Misr and the second for Telecom Egypt in the Egyptian market.
- ✓ In September, Telecom Egypt announced that it has submitted a financial and technical offer to the National Telecom Regulatory Authority (NTRA) to apply for additional spectrum. The spectrum will be in the 2600MHz band, utilizing TDD technology, with a right of use of 10 years.

Customer Base

(000's)	4Q 20	4Q 19	Δ %yoy	3Q 20	Δ % qoq
Fixed Line					
Voice	9,850	8,676	14%	9,152	8%
Data	6,947	5,807	20%	6,620	5%
Mobile	7,342	5,129	43%	7,097	3%

Revenue breakdown

EGPm	FY 20	FY 19	Δ % yoy	4Q 20	4Q 19	Δ % yoy	3Q 20	Δ % qoq
Home & Consumer	14,380	10,474	37%	3,864	2,817	37%	3,756	3%
Enterprise	3,933	3,809	3%	1,016	1,249	-19%	998	2%
Domestic Wholesale	4,670	4,155	12%	1,061	894	19%	1,046	1%
International Carriers	4,396	4,383	0%	1,057	1,002	5%	1,070	-1%
International Customers & Networks	4,535	2,984	52%	2,566	830	209%	531	383%

Income statement summary

EGPm	FY 20	FY 19	Δ % yoy	4Q 20	4Q 19	Δ % yoy	3Q 20	Δ % qoq
Revenue	31,912	25,805	24%	9,565	6,793	41%	7,402	29%
EBITDA	11,133	5,834	91%	3,616	1,923	88%	2,476	46%
EBIT	7,883	5,216	51%	2,443	1,439	70%	1,889	29%
NPAT	4,851	4,399	10%	1,319	980	35%	1,474	-11%
EPS	2.35	2.10	12%	0.65	0.45	43%	0.86	-25%
Margins								
EBITDA Margin %	34.9%	22.6%	1,228 bps	37.8%	28.3%	950 bps	33.4%	436 bps
EBIT Margin %	24.7%	20.2%	449 bps	25.5%	21.2%	435 bps	25.5%	2 bps
NPAT Margin %	15.2%	17.0%	(185 bps)	13.8%	14.4%	(63 bps)	19.9%	(612 bps)

Results discussion

Q4 2020:

- **Total revenue** grew 41% YoY driven by IC&N, which contributed 63%, followed by data revenue growth (+42% YoY) owed to an increased customer base and a healthy ARPU.
- **Retail revenue** climbed 20% YoY on higher data and voice revenues led by the expanding customer base and a healthy ARPU uptrend.
- **Wholesale revenue** rose by 72% YoY thanks to the hike in IC&N, which was boosted by the EGP 1.9bn cable project revenue related to 2Africa. This was followed by a 27% YoY growth in infrastructure revenue on the back of the elevated demand for data services from MNOs and ISPs.
- Adjusted for the ERP cost of EGP 100mn paid by TE on behalf of the pension fund and one-off licensing fees of EGP 131mn in Q4 2020, **EBITDA** doubled YoY, coming in at EGP 3.8bn and recording a margin of 40%.
- Adjusted for the above and the one-off depreciation cost of EGP 234mn caused by a reassessment exercise of assets in-service, **operating profit** landed at EGP 2.2bn.
- **Net profit** landed at EGP 1.3bn, growing 35%.

FY 2020:

- **Consolidated revenue** increased 24% YoY, landing at EGP 31.9bn. The growth was fuelled by a 28% YoY increase in retail revenues, which made up 66% of top line growth.
- **Home & Consumer** grew 37% YoY mainly driven by the continuing momentum of data consumption and customer base growth, resulting in a 40% YoY increase in data revenue.

- **Enterprise** slightly rose by 3% YoY as the increase in data and voice revenues, 19% YoY and 8% YoY, respectively, was partially offset by the decline in other enterprise revenue, specifically related to infrastructure projects, which are due to be recognized in Q1 2021.
- **Wholesale** revenue climbed 18% YoY driven by the hike in IC&N thanks to the 2Africa cable crossing revenue of EGP 1.9bn followed by the 18% YoY growth in infrastructure revenue on increased demand for data services from ISPs.
- **ICA** came in almost flat YoY as the increase in incoming international calls revenue, in USD terms, neutralized the decline in the low margin transit revenue. While international traffic increased 20% YoY, revenue growth was partially eroded by the appreciation of the EGP.
- **EBITDA** landed at EGP 11.1bn with a strong margin of 35% supported by a higher margin revenue mix comprised of data and infrastructure revenues in addition to increased cable revenues (+EGP 1.4bn).
- **Net profit** came in at EGP 4.9bn, a 10% YoY growth. Normalizing for the one-off depreciation cost and regulatory fees in 2020, VIS sale in 2019, and ERP cost & FX gain in both years, net profit would have increased 39%, reaching EGP 5.2bn.

Balance sheet summary

EGPm	FY 20	FY 19	Δ %
Current Assets	17,709	15,404	15%
Net Fixed Assets	38,141	29,728	28%
Long Term Investments	12,381	10,898	14%
Other Long Terms Assets	16,212	17,222	-6%
Total Assets	84,443	73,251	15%
Current Liabilities (Excl. STD)	17,691	14,850	19%
CPLTD	17,009	11,666	46%
LTD	3,278	4,786	-31%
Other Non-Current Liabilities	7,731	6,729	15%
Total Liabilities	45,709	38,030	20%
Total Shareholder Equity	38,734	35,221	10%
Total Liabilities & Shareholder Equity	84,443	73,251	15%

Cash flow summary

EGPm	FY 20	FY 19	Δ %
Net Cash Provided By Operating Activities	8,297	2,991	177%
Net Cash Flows from Investing Activities	-11,092	-5,261	111%
Net Cash Flows from Financing Activities	3,419	2,729	25%
Net Change In Cash & Cash Equivalents	624	459	36%
Translation Differences of Foreign entities	1	-21	106%
Beginning of period cash	1,311	874	50%
End of period cash	1,937	1,311	48%

– End –

Please refer to Telecom Egypt's full financial statements that can be downloaded from the website ir.te.eg

For more information, contact:

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About Telecom Egypt

Telecom Egypt is the first total telecom operator in Egypt providing all telecom services to its customers including fixed and mobile voice and data services. Telecom Egypt has a long history serving Egyptian customers for over 160 years maintaining a leadership position in the Egyptian telecom market by offering its enterprise and consumer customers the most advanced technology, reliable infrastructure solutions and the widest network of submarine cables. Aside from its mobile operation "WE", the company owns a 45% stake in Vodafone Egypt. Telecom Egypt's shares and GDRs (Ticker: ETEL.CA; TEEG.LN) are traded on The Egyptian Exchange and the London Stock Exchange. Please refer to Telecom Egypt's full financial disclosure on ir.te.eg