

Q1 2021 Earnings Release

11 May 2021

Telecom Egypt today announces its Q1 2021 results for the period ending 31 March 2021.

Q1 2021 key highlights

- **Consolidated revenue** came in at EGP 8.4bn, growing 20% YoY on higher data revenue (+37% YoY) constituting 66% of top line growth.
- **Customer base** grew across the board with fixed voice customers increasing 7% YoY, fixed data 22% YoY, and mobile customers 38% YoY.
- **EBITDA** landed at EGP 3.2bn, growing 42% YoY and recording a strong margin of 39% thanks to an enhanced revenue mix and continued cost optimization.
- **Net profit** reached EGP 2.1bn, growing 62% YoY, thanks to strong operational results. Excluding non-operational items such as provisions, impairments, FX gains, deferred tax, and inorganic growth in investment, net profit would reach 1.8bn, growing 77% YoY.
- **Operating cash flow** grew 80% YoY and 33% QoQ, reaching EGP 3.4bn.
- **In-service CapEx/sales** recorded 14%, while **cash CapEx** reached EGP 5.7bn mainly as a result of paying the first tranche of the new spectrum acquisition.
- **Net debt** reached EGP 19.8bn, representing 1.5x of annualized EBITDA, declining from 1.6x in FY 2020, while the effective interest rate declined to 5.7% vs. 7.4% in Q4 2020.

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

"I am very pleased with this quarter's results as they reflect Telecom Egypt's ability to preserve its growth momentum witnessed during 2020 and report strong financial and operational results. We have witnessed double-digit growth across the P&L; with revenue growing 20%, EBITDA 42% with a margin of 39%, and normalized net profit 77% YoY. The main growth driver continues to be data, both fixed and mobile, and we have witnessed growth in customer numbers and spending, which we continue to push by not only investing in our network, but also enhancing customer experience to solidify our leading position in the market.

Our aim is to continue to translate the impressive growth in our top-line, now that it is evident in our bottom line, to our cash flows. We monitor our operating and free cash flow closely and continue to look into cost optimization and CapEx rationalization strategies that also support the growth of the business."

Telecom Egypt latest events

Main events in Q1 2021

- ✓ In 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 the same month, Telecom Egypt and the Ministry of Social Solidarity signed an agreement to provide telecom services to the Ministry and the beneficiaries of social protection programs, namely "Takaful and Karama." 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.
- ✓ Also in January, Telecom Egypt's 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®.
- ✓ In March, Telecom Egypt announced its plans to launch Hybrid African Ring Path (HARP) by 2023, a new subsea system that will outline the African continent, forming the shape of a harp. It will connect coastal and landlocked African countries to Europe through TE's widespread terrestrial and subsea infrastructure.
- ✓ Also in March, Vodafone Egypt's OGM approved a dividend of EGP 2bn, of which Telecom Egypt's share amounts to cEGP 0.9bn. Accordingly, Telecom Egypt's BoD has proposed raising its dividend for FY 2020 to EGP 0.75 per share instead of EGP 0.50 per share.

Subsequent events to Q1 2021

- ✓ In April, the NTRA enforced new rules on the customer life cycle, effective 1st of April, limiting the line validity to 90 days active for prepaid customers and 180 days for postpaid customers. The impact of such will be visible in Q2 2021's results on the entire market.

Customer Base

(000's)	1Q 21	1Q 20	Δ %yoy	4Q 20	Δ % qoq
Fixed Line					
Voice	10,045	9,427	7%	9,850	2%
Data	7,257	5,925	22%	6,947	4%
Mobile	8,516	6,181	38%	7,342	16%

Revenue breakdown

EGPm	1Q 21	1Q 20	Δ %yoy	4Q 20	Δ % qoq
Home & Consumer	4,191	3,131	34%	3,864	8%
Enterprise	1,129	786	44%	1,016	11%
Domestic Wholesale	1,364	1,248	9%	1,061	29%
International Carriers	1,050	1,136	-8%	1,057	-1%
International Customers & Networks	665	703	-5%	2,566	-74%

Income statement summary

EGPm	1Q 21	1Q 20	Δ %yoy	4Q 20	Δ % qoq
Revenue	8,399	7,004	20%	9,565	-12%
EBITDA	3,235	2,283	42%	3,616	-11%
EBIT	3,078	1,656	86%	2,443	26%
NPAT	2,124	1,312	62%	1,319	61%
EPS	1.24	0.77	62%	0.65	91%
Margins					
EBITDA Margin %	38.5%	32.6%	592 bps	37.8%	71 bps
EBIT Margin %	36.6%	23.7%	1,300 bps	25.5%	1,111 bps
NPAT Margin %	25.3%	18.7%	656 bps	13.8%	1,151 bps

Results discussion

Q1 2021:

- **Top line** landed at EGP 8.4bn, growing 20% YoY, driven by the hike in data revenues, followed by infrastructure and voice revenues.
- **Home & Consumer** increased by 34% YoY, driven by the YoY growth in data & voice revenues by 38% and 21%, respectively, on a growing customer base and healthy ARPU.
- **Enterprise** climbed 44% YoY, driven by the hike in other enterprise revenue (+95% YoY), mainly complementary access services, due to the recognition of c180mn from NUCA and digital transformation infrastructure projects.
- **Wholesale** came in almost flat YoY as the 13% YoY growth in infrastructure revenue was offset by the 8% YoY and 5% YoY decrease in ICA and IC&N revenues, respectively.
- **Domestic** revenue grew on the continued demand for transmission services from MNOs and ISPs.
- On the **ICA** front, incoming international calls revenue declined by 6% YoY on a 12% YoY decrease in traffic, while the decline in **IC&N** was due to the base effect of the mesh solution agreement with Google that contributed EGP 270mn to Q1 2020.
- **EBITDA** stood at EGP 3.2bn, growing 42% YoY with a strong margin of 39% as a result of the higher margin revenue mix and cost optimization efforts.
- **Net profit** landed at EGP 2.1bn, a 62% YoY increase, thanks to our strong operational performance and doubled YoY investment income from Vodafone Egypt. Excluding non-operational items such as provisions, FX gains, impairments, and deferred tax, net profit would reach EGP 1.8bn, growing 77% YoY.

Balance sheet summary

<i>EGPm</i>	1Q 21	FY 20	Δ %
Current Assets	17,771	17,709	0%
Net Fixed Assets	38,295	38,141	0%
Long Term Investments	12,370	12,381	0%
Other Long Terms Assets	19,351	16,212	19%
Total Assets	87,787	84,443	4%
Current Liabilities (Excl. STD)	19,017	17,691	7%
CPLTD	18,293	17,009	8%
LTD	2,898	3,278	-12%
Other Non-Current Liabilities	9,028	7,731	17%
Total Liabilities	49,236	45,709	8%
Total Shareholder Equity	38,551	38,734	0%
Total Liabilities & Shareholder Equity	87,787	84,443	4%

Cash flow summary

<i>EGPm</i>	1Q 21	1Q 20	Δ %
Net Cash Provided By Operating Activities	3,408	1,897	80%
Net Cash Flows from Investing Activities	-4,903	-2,588	89%
Net Cash Flows from Financing Activities	934	663	41%
Net Change In Cash & Cash Equivalents	-562	-28	1927%
Translation Differences of Foreign entities	-5	-9	-41%
Beginning of period cash	1,937	1,311	48%
End of period cash	1,370	1,274	7%

– 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