

Q1 2023 Earnings Release

Cairo, Egypt

30 May 2023

Telecom Egypt (Ticker: ETEL.CA; TEEG.LN) today announced its reviewed Q1 2023 financial results, according to the Egyptian Accounting Standards (EAS), for the period ending 31 March 2023.

Q1 2023 key highlights

- **Consolidated revenue** grew 48% YoY to reach EGP 14bn, thanks to the growth witnessed across the board, especially wholesale units, which constituted 70% of the total growth, backed by 86% higher infrastructure revenues YoY and growing USD-denominated revenue streams.
- **Customer base** expanded across the board, with fixed voice and broadband growing 5% and 7% YoY, respectively, while mobile customers increased by 22% YoY to reach 12.4mn.
- **EBITDA** climbed 72% YoY, recording EGP 6.1bn and reflecting a robust margin of 44%, mainly driven by high-margin revenues.
- **Adjusted operating profit** jumped 101% YoY based on strong operational performance, offsetting the 31% higher D&A costs YoY.
- Excluding non-operating one-offs, **net profit** spiked up 144% YoY reaching EGP 4.1bn, in light of healthy margins and increased investment income--together overshadowing the higher D&A and finance costs.
- **FCF** landed at EGP 0.6bn, excluding the last tranche of the new spectrum, it reaches EGP 2.6bn, implying a FCF/EBITDA ratio of 43%.
- **In-service capex** landed at EGP 1.3bn (representing 9% of revenues), while **cash capex** reached EGP 6.1bn, recording a 43% cash capex to sales ratio. Excluding the spectrum payment, the latter ratio reaches 28%.
- **Net debt/EBITDA** on annualized basis recorded 1.2x vs. 1.4x in FY 2022 despite the inflated gross debt of +34% QoQ resulting from the revaluation of our hard currency obligations.

Mohamed Nasr, Managing Director and Chief Executive Officer, commented:

“It gives me great pleasure to assume my new role at Telecom Egypt, particularly by starting the year on a high note with such an impressive quarter to comment on. Inspired by our dedication to become the leading ICT provider, our Q1 2023 results reflect the company’s significant strengths and ability to capitalize on its diversified portfolio of assets and strategic location. Telecom Egypt continues to show momentum across both the operational and financial fronts. Top line witnessed a 48% hike YoY, while EBITDA shot up to reach 72% YoY. Data continued to be the main driver of

retail revenue growth; meanwhile, the wholesale boom witnessed during the quarter is attributed to both higher volume sales and foreign currency appreciation. The overall growth across the board resulted in spikes in both the organic operating profit and net profit of 101% and 144% YoY, respectively. FCF came in at EGP 0.6bn, thanks to our growing operating cash flow of 63% YoY; excluding the last payment of the new spectrum, FCF reaches EGP 2.6bn. Despite the inflated gross debt due to foreign currency appreciation, we managed to reduce our annualized net debt/EBITDA to 1.2x vs. 1.4x in FY 2022, while maintaining our hard currency debt at an almost constant level QoQ.

We continue executing our strategy and we remain committed to expanding and diversifying our service offerings, growing our customer base, enhancing customer experience, as well as a compelling financial model to all our stakeholders, I'm certain we will reach even greater heights. I aim to fully leverage the team's dedicated effort to continue forging ahead with our ambitious goals and strong execution to create lasting value, while setting the pace and growing the company's position as the leading integrated telecom operator, now and well into the future."

Telecom Egypt latest events

Main events in Q1 2023

- ✓ In late January, Telecom Egypt announced that the National Telecom Regulatory Authority (NTRA) accepted its financial and technical offer to obtain an additional 5MHz of spectrum in the 1800MHz band using FDD technology.
- ✓ In late March, Telecom Egypt announced the appointment of Eng. Mohamed Nasr Eldin as Managing Director and CEO of the company to succeed Eng. Adel Hamed.

Subsequent events to Q1 2023

- ✓ In early May, within its continuous efforts to enhance its value proposition, Telecom Egypt, announced the recent successful landing of the 2Africa subsea cable in Port Said. This milestone marks the second and final 2Africa landing in Egypt, coming five months after the first landing in the Red Sea city of Ras Ghareb.

Customer Base

<i>(000s)</i>	Q1 23	Q1 22	Δ %YoY	Q4 22	Δ % QoQ
Fixed Line					
Voice	11,727	11,175	5%	11,587	1%
Data	8,907	8,295	7%	8,766	2%
Mobile	12,444	10,162	22%	12,489	-0.4%

Revenue breakdown

<i>EGP mn</i>	Q1 23	Q1 22	Δ % YoY	Q4 22	Δ % QoQ
Home & Consumer	5,864	5,006	17.2%	5,724	2.5%
Enterprise	1,689	1,183	42.9%	1,986	-14.9%
Domestic Wholesale	2,555	1,397	82.8%	1,683	51.8%
International Carriers	1,828	1,034	76.7%	1,370	33.4%
International Customers & Networks	2,022	797	153.6%	1,237	63.5%

Income statement summary

<i>EGP mn</i>	Q1 23	Q1 22	Δ % YoY	Q4 22	Δ % QoQ
Revenue	13,959	9,417	48%	11,999	16%
EBITDA	6,142	3,578	72%	4,088	50%
EBIT	4,832	2,215	118%	2,411	100%
NPAT	3,813	1,366	179%	3,012	27%
EPS	2.23	0.80	179%	1.76	27%
Margins					
EBITDA Margin %	44.0%	38.0%	601 bps	34.1%	993 bps
EBIT Margin %	34.6%	23.5%	1,110 bps	20.1%	1,452 bps
NPAT Margin %	27.3%	14.5%	1,281 bps	25.1%	222 bps

Results discussion

Q1 2023:

- Top line grew 48% YoY on robust wholesale growth (+98% YoY), followed by higher retail revenue (+22% YoY).

- **Home & Consumer** grew 17% YoY due to higher data and voice revenues of 20% & 6%, respectively, thanks to a growing customer base and healthy ARPUs.
- **Mobile** grew 19% YoY attributed to a 22% higher customer base YoY, representing an early double-digit of the retail revenue growth.
- **Wholesale** saw an exceptional quarter with almost double growth YoY, due to 83% YoY higher domestic revenue driven by IRU one-offs, and 77% higher ICA related to higher international incoming traffic and USD appreciation vs. EGP.
- **IC&N** jumped by 154% YoY, related to higher IRU capacity sales to tech-giants and ancillary services (O&M) one-offs.
- **EBITDA** landed at EGP 6.1bn, growing 72% YoY and recording a strong margin of 44%.
- **VFE organic income** grew 82%, excluding FX loss related to the revaluation of debt.
- **Normalized net profit** landed at EGP 4.1bn, surging up 144% YoY, excluding non-operational items including VFE one-offs, provisions, and FX impact. The bottom line increase was mainly due to healthy margins across the board and increased investment income—which together diluted the higher D&A and finance costs.

Balance sheet summary

<i>EGP mn</i>	Q1 23	FY 22	Δ %
Current Assets	36,047	26,875	34%
Net Fixed Assets	51,708	49,785	4%
Long Term Investments	13,154	12,260	7%
Other Long Terms Assets	31,893	30,975	3%
Total Assets	132,802	119,894	11%
Current Liabilities (Excl. STD)	39,759	33,935	17%
CPLTD	18,435	10,415	77%
LTD	22,961	20,411	12%
Other Non-Current Liabilities	8,263	8,865	-7%
Total Liabilities	89,419	73,626	21%
Total Shareholder Equity	43,383	46,268	-6%
Total Liabilities & Shareholder Equity	132,802	119,894	11%

Cash flow summary

<i>EGP mn</i>	Q1 23	Q1 22	Δ %
Net Cash Provided by Operating Activities	5,787	2,622	121%
Net Cash Flows from Investing Activities	-5,897	-5,394	9%
Net Cash Flows from Financing Activities	5,607	2,322	141%
Net Change In Cash & Cash Equivalents	5,497	-449	1323%
Translation Differences of Foreign entities	23	24	- 4%
Beginning of Period Cash	6,752	2,923	131%
End of Period Cash	12,273	2,498	391%

– 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