



## Q2 2023 Earnings Release

Cairo, Egypt

August 14, 2023

Telecom Egypt (Ticker: ETEL.CA; TEEG.LN) today announced its audited financial results, according to the Egyptian Accounting Standards (EAS), for the period ended 30 June 2023.

### H1 2023 key highlights

- **Consolidated revenue grew** 38% YoY, landing at EGP 28.1bn fueled by the 75% YoY hike in wholesale revenue, constituting 71% of top line growth, followed by strong retail performance.
- **Customer base** increased across the board with fixed voice and broadband growing 5% and 8% YoY, respectively, while mobile customers increased by 7% YoY to reach 12.6mn.
- **EBITDA** reached EGP 12bn, surging 48% YoY and recording a high margin of 43% on enhanced revenue mix.
- **Adjusted operating profit** increased by 54% on strong operational performance, overshadowing the 38% higher YoY D&A costs.
- **Net profit** amounted to EGP 6.7bn, while **normalized net profit** marked EGP 7.0bn, marking a profound 67% increase YoY, thanks to excellent operational results and higher investment income, which negated the surge in interest expense.
- **In-service CapEx** amounted to EGP 4.5bn, a 55% increase YoY - comprising 16% of sales. **Cash CapEx** excluding license fees, reached EGP 11.2bn, representing 40% of sales.
- **Net debt/EBITDA on an annualized basis** came flat at 1.4x vs. FY 2022 despite the 43% upside in gross debt due to foreign currency exposure revaluation.

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

"Telecom Egypt's performance in H1 2023 is a reflection of the company's exemplary business model, its strong international infrastructure footprint, the strong momentum in fixed & mobile data services, and pool of talented employees — all of which continue to show resilience against the macro-economic challenges. We continued to see impressive results from our diversified portfolio of services with total revenue landing at EGP 28bn, with the notable increment in wholesale being the main driver for this growth, followed by strong retail performance. We managed to attract new customers across the board, a positive indicator of our efforts to maintain our competitive position. EBITDA margin came in at 43% and operating profit grew by 45% YoY, while organic net profit marked a growth of 67% YoY.

Our margins remained robust even in the face of higher costs, owing to organic operational performance thanks to further monetization of our infrastructure and cost containment efforts, which crystallised in the recently signed national roaming agreement among other initiatives. Our modified Shareholder's Agreement with Vodafone Egypt continues to reap its rewards — as we collected EGP 2.1bn dividends in July 2023, turning our FCFF into EGP 0.5bn for H1 2023. We expect additional FCFF improvements in Q3 and Q4 2023 due to the dividend collection indicated earlier and supported organically by successful operations & the collection of revenues from the new cable projects recognized in this quarter. It's worth mentioning that the company, in addition to paying its past vendor finance obligations, strategically pursued a proactive approach to secure its future CapEx requirements through upfront payments to guard against supply chain volatility and other macro



challenges, putting some pressure on CapEx figures through H1 2023. Net debt/EBITDA on an annualized basis came flat vs. FY 2022 at 1.4x despite the 43% upside in gross debt due to foreign currency exposure revaluation.

My firm belief in the company's strengths and potential is unwavering; as such, I am keen to execute our plans of becoming a regional data hub while also growing all other aspects of our business. We have a great opportunity to continue leading the data market and expand our mobile business. As such, we will leave no stone unturned to continue enhancing our customer-centric strategy, seek opportunities to maximize the monetization of our infrastructure, and increase the returns for our shareholders."

## Telecom Egypt - Main events in H1 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.
- ✓ In May, Telecom Egypt announced the successful landing of the 2Africa subsea cable in Port Said – a step that comes within the company's continuous efforts to enhance its value proposition. This milestone marked 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

(000s)	Q2 23	Q2 22	Δ %YoY	Q1 23	Δ % QoQ
<b>Fixed Line</b>					
Voice	11,816	11,277	5%	11,727	1%
Data	9,085	8,435	8%	8,907	2%
<b>Mobile</b>	12,557	11,740	7%	12,444	1%

## Revenue breakdown

EGP mn	H1 23	H1 22	Δ %	2Q 23	2Q 22	Δ % YoY	1Q 23	Δ % QoQ
Home & Consumer	12,122	10,417	16.4%	6,205	5,380	15.3%	5,917	4.9%
Enterprise	3,129	2,613	19.8%	1,438	1,429	0.6%	1,691	-15.0%
Domestic Wholesale	4,449	3,090	44.0%	1,895	1,693	11.9%	2,555	-25.8%
International Carriers	3,718	2,263	64.3%	1,945	1,261	54.2%	1,774	9.7%
International Customers & Networks	4,717	2,019	133.6%	2,695	1,222	120.6%	2,022	33.3%





## Income statement summary

EGP mn	H1 23	H1 22	Δ %	2Q 23	2Q 22	Δ % YoY	1Q 23	Δ % QoQ
Revenue	28,136	20,401	38%	14,177	10,984	29%	13,959	2%
EBITDA	11,961	8,060	48%	5,820	4,482	30%	6,142	-5%
EBIT	9,337	6,115	53%	4,505	3,901	15%	4,832	-7%
NPAT	6,696	3,782	77%	2,882	2,415	19%	3,813	-24%
EPS	3.92	2.22	77%	1.69	1.41	19%	2.23	-24%
<b>Margins</b>								
EBITDA Margin %	42.5%	39.5%	300 bps	41.0%	40.8%	24 bps	44.0%	(295 bps)
EBIT Margin %	33.2%	30.0%	321 bps	31.8%	35.5%	(373 bps)	34.6%	(284 bps)
NPAT Margin %	23.8%	18.5%	526 bps	20.3%	22.0%	(166 bps)	27.3%	(699 bps)

## Results discussion

### Q2 2023

- **Top-line** increased 29% YoY on higher cable revenues, mainly driven by extra monetization on our cables by almost USD 40mn, followed by strong data performance thanks to healthy operational KPIs, and higher ICA revenues due to higher inbound traffic and USD appreciation.
- **Home & consumer** grew 15% YoY due to increased data and voice revenues YoY amounting to 17% and 8%, respectively, on expanding customer base and higher ARPU levels.
- **Mobile** saw a 17% increase YoY, making up a low double-digit of total retail revenue growth YoY.
- **Wholesale** growth constituted 74% of top-line growth, mainly due to higher cable revenues from further monetization of cable projects by c.USD 40mn.
- **EBITDA** realized a strong margin of 41%, exceeding management's guidance, due to high margin revenues, particularly cables and data-related revenues.
- Adjusted for forex and provisions, **net profit** reached EGP 3bn, growing 25% YoY, backed by strong operational performance & higher investment income, which managed to offset the increase in D&A and interest expenses.

### H1 2023

- **Total revenue** landed at EGP 28.1bn, increasing 38% YoY, mainly due to the EGP 5.5bn increment in wholesale due to notable cable sales (+ EGP 1.5bn), as well as higher IDD and infrastructure revenues. The retail increment of EGP 2.2bn was mainly driven by 18% higher data YoY.
- **Home & consumer** realized a 16% YoY increase, constituting 77% of the retail growth on higher data and voice revenues of 18% and 8% YoY, respectively, boosted by the overall expanding customer base and healthy ARPUs.
- **Enterprise** escalated 20% YoY, mainly as a result of higher managed data revenues increasing 23% YoY.
- **ICA** increased 64% YoY as a result of higher incoming international calls and USD appreciation.
- **IC&N** marked an increase of almost 1.5x YoY, mainly due to more than 3-fold increase in cable projects and growing capacity sales (180%).



- **EBITDA** surged by 48% YoY, recording a high margin of 43% on enhanced revenue mix.
- **Adjusted operating profit** reached EGP 7.5bn, up 54% on strong operational performance, overshadowing the 38% higher YoY D&A costs.
- **Normalized net profit** reached EGP 7.0bn, marking a profound 67% increase YoY, thanks to excellent operational results and greater investment income, which negated the surge in the interest expense.

## Balance sheet summary

EGP mn	1H 23	FY 22	Δ %
Current Assets	34,571	26,875	29%
Net Fixed Assets	52,533	49,785	6%
Long Term Investments	11,891	12,260	-3%
Other Long Terms Assets	35,638	30,975	15%
<b>Total Assets</b>	<b>134,633</b>	<b>119,894</b>	<b>12%</b>
Current Liabilities (Excl. STD)	33,022	33,935	-3%
CPLTD	21,770	10,415	109%
LTD	22,271	20,411	9%
Other Non-Current Liabilities	11,603	8,865	31%
<b>Total Liabilities</b>	<b>88,666</b>	<b>73,626</b>	<b>20%</b>
<b>Total Shareholder Equity</b>	<b>45,967</b>	<b>46,268</b>	<b>-1%</b>
<b>Total Liabilities &amp; Shareholder Equity</b>	<b>134,633</b>	<b>119,894</b>	<b>12%</b>

## Cash flow summary

EGP mn	H1 23	H1 22	Δ %
Net Cash Provided by Operating Activities	10,535	8,297	27%
Net Cash Used in Investing Activities	-13,736	-8,012	71%
Net Cash Used in Financing Activities	6,087	-913	767%
<b>Net Change in Cash &amp; Cash Equivalents</b>	<b>2,887</b>	<b>-627</b>	<b>560%</b>
Translation Differences of Foreign Entities	117	24	381%
Beginning of Period Cash	6,752	2,923	131%
<b>End of Period Cash</b>	<b>9,755</b>	<b>2,320</b>	<b>320%</b>

– End –

Please refer to Telecom Egypt's full financial statements that can be downloaded from the website [ir.te.eg](http://ir.te.eg)

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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](http://ir.te.eg)