

# Telecom Egypt Q1 2023 Earnings Call Transcript

## Final Transcript

Telecom Egypt ([ETEL.CA](#); [TEEG.LN](#)) Q1 2023 earnings call dated 30 May 2023

## Call Coordinator:

Noha Baraka - *CI Capital Research*

## Corporate Participants:

Mohamed Nasr Eldin – *Managing Director and Chief Executive Officer*

Mohamed Shamroukh – *Senior Vice President and Chief Financial Officer*

Tarek Abdelhamid – *Chief Marketing Officer*

Wael Hanafy – *Senior Director of Finance*

## Investors and Analysts:

Omar Maher - *EFG-Hermes*

Sahar Shalaby - *Azimut Egypt*

Piotr Raciborski - *Wood & Company*

Darren Smith - *337 Frontier Capital*

Madhvendra Singh - *HSBC*

Zintle Twala - *Steyn Capital Management*

Nikhil Arora - *Franklin Templeton*

Shady Afifi - *NI-Capital*

Eman Maree - *Arab African International Securities*

Farrah Ayoub - *EFG-Hermes*

Farouk Miah – *All Africa Partners*

**Noha Baraka:** Hello everyone, thank you for dialing in. This is Nora Baraka from CI Capital Research. We have the pleasure to be hosting Telecom Egypt's first quarter results' conference call today.

From the management team, we have

- Managing Director and CEO **Mr. Mohamed Nasr Eldin;**
- Chief Financial Officer **Mr. Mohamed Shamroukh;**
- Senior Director of Finance **Mr. Wael Hanafy;** and
- Chief Marketing Officer **Mr. Tarek Abdelhamid.**

As usual, we'll start off with a brief presentation by the management team, and then we will open the floor for questions.

Please go ahead. Thank you.

**Wael Hanafy:** Thank you Noha, and thanks to CI Capital for hosting this quarter's conference call. Earlier today, we issued a press release announcing our financial results for the first quarter of 2023, as well as other operational highlights. A copy of the press release is available on our IR website.

We will start with a briefing of the operational performance in the quarter presented by our CEO, Mr. Mohamed Nasr, followed by the key financial highlights to be presented by our CFO, Mr. Mohamed Shamroukh. Our Chief Marketing Officer, Tarek Abdelhamid will also be attending the call. Kindly note that the results presentation is available on our IR website under the quarterly results section of the financial information tab on [ir.te.eg](http://ir.te.eg).

Without further delay, I would like to draw your attention to our safe harbor statement. We may make some forward-looking statements in the course of this conference call. These statements will be based on the information available to us as of today and you should, therefore, not assume that we continue to hold these views in the future. We do not commit to notify you if our views change. We refer to our public filings for some factors that may cause forward-looking statements to differ from actual future events or results.

I will now hand over the call to Mr. Mohamed Nasr to discuss the key operational highlights.

**Mohamed Nasr:** Thank you Wael. Good morning and good afternoon, everyone.

**Mohamed Nasr:** Thank you Wael. Good morning and good afternoon, everyone. Thank you for joining our call today. It gives me great pleasure to be with you on this first results call of the year and my first call as Telecom Egypt's new CEO and Managing Director. 2023 has kicked off on a very positive note with Telecom Egypt reporting robust operational and financial KPIs. Our successful performance is a testament to our commitment to become the leading ICT provider by capitalizing on our diversified asset portfolio and strategic location. As seen, top line hiked up 48% YoY thanks to growth across all business lines, which was supported by diversified revenue streams in local and foreign currency. Data continued to be the main driver of retail revenue growth, supported by a growing customer base and healthy ARPU, reinforcing our dedication to create value and meet customer demand. Meanwhile, the wholesale boom is attributed to both higher volume sales and foreign currency appreciation, which helped hedge against inflationary pressures, while managing our hard currency obligations.

On the cost side, salaries increased 28% YoY through two cycles: one in April 2022 and the other in January 2023; such increases were effected as a way to motivate and support our most valued assets during these crunching times. Nonetheless, EBITDA shot up, reaching 72% YoY, reporting a healthy margin of 44%. This is a reflection of the improved revenue on all fronts and our cost saving initiatives, namely the new national roaming agreement, which helped reduce the impact of the inflationary costs affecting other items.

Our customer-centric approach will continue to be the driving force with which we grow our business. We will continue to prioritize building strong, long-term customer relationships by offering an array of services to meet every demand; providing exceptional sales and after sales service; and creating lasting value for all our stakeholders. We reiterate that our investment decisions will always be in the best interest of our shareholders. I am confident that with this clear roadmap and a dedicated team, we will inch closer and closer to becoming the leading ICT provider.

With that, I have completed my operational brief and will now hand the call over to Mr. Mohamed Shamroukh, our Chief Financial Officer, to discuss the key financial highlights.

**M. Shamroukh:** Thank you, Mr. Nasr Eldin. As usual, I will start with some highlights of the first quarter in 2023. As a general note, we have managed to overcome the significant EGP devaluation and inflationary pressures witnessed on all fronts. Consolidated revenues amounted to EGP 14bn, with retail amounting to EGP 7.6bn, marking a 22% YoY increase and representing 54% of the top line, thanks to the expanding customer base and healthy ARPU trends. As always, data revenue was the key contributor, comprising 60% of retail growth YoY. Meanwhile,

enterprise increased by 43% YoY, mainly due to growing subsidiaries and managed data revenues of EGP 152mn and EGP 138mn, respectively. Mobile grew 19% YoY thanks to the increase in customer base, which reached 12.4mn customers. Capitalizing on our diversified infrastructure and strategic location, wholesale almost doubled YoY. This increase is not only related to hard currency appreciation but also higher volume of transactions in all wholesale areas.

Organic operating profit and net profit were positively impacted by the growth across the board and higher investment income from Vodafone, reaching 112% and 144% YoY, respectively, offsetting the increase in D&A costs. FCF remained positive at EGP 0.6bn, thanks to our growing operating cash flow of 63% YoY; excluding the last payment of the new spectrum, FCF would have reached EGP 2.6bn. In-service capex landed at EGP 1.3bn, while cash capex reached EGP 6.1bn, recording a 43% cash capex to sales ratio. By excluding the spectrum payment, the latter ratio reaches 28%. Net debt to EBITDA on an annualized basis improved, reaching 1.2x vs. 1.4x in FY 2022--although we faced an inflated gross debt of +34% QoQ due to retranslation or revaluation of our hard currency obligations; however, our hard currency debt exposure is almost flat.

With that, I have reached the end of my comments. We are now ready to open the floor for the Q&A session. Thanks.

**Noha Baraka:** Thank you very much for the presentation. We are now ready to open the Q&A session. If you have any questions, please feel free to use the raise hand button on the right hand side of the screen, and I'll unmute your line. Alternatively, you can use the Q&A. box to type in your questions.

There is a question from Omar. Please go ahead.

**Omar Maher:** Thank you very much for this opportunity and congratulations on the results. I wanted to ask about the progress of your tower sales. *I think you had mentioned in Q4, if I remember correctly, that the process would be concluded by June 2023. We are just one month out, so I am wondering if you are still holding to the same conclusion date or have you changed that? And whether the initial price tag you mentioned then has changed after the devaluation or not?*

**Mohamed Shamroukh:** In reality, we are still committed to the target we put for the tower sale and leaseback transaction. We have finalized the teaser and technical file. Meanwhile, we need about 6-7 weeks to receive the offer. Most of the international players are interested to put an

offer. The whole regulation process should take about 3-4 months. Yes, we are a little bit delayed due to some macro conditions that were raised during the last period, which made some people a bit skeptical to put an offer. However, the macro situation has become clearer, and so we expect to close the deal by Q4 or Q1 2024 maximum.

**Omar Maher:** Thank you. *What about the price tag? Is it still within the same ballpark range or has it changed?*

**Mohamed Shamroukh:** The price in hard currency is still the same, as these assets were valued in hard currency. We are expecting the same amount of around USD 250mn. The discussion going back and forth between us and the tower companies during the last period was related to this fact and some hedging options were proposed from the buyer's side regarding the devaluation impact. We have reached a conclusion about the portion of the hard currency that will be hedged against any further devaluation for the lease period. We now have a model that results in a win-win situation for both parties. For the meantime, this is not only related to the tower sales and leaseback, it is also to reduce the CAPEX rollout. Our target is to save around USD 80mn by assigning the built-to-suit model to the tower company. We are working on both, to ensure that our OPEX obligation going forward will be a healthy ratio. That was the debate and I think we have reached a winning formula for both of us.

**Omar Maher:** *Can you possibly provide some color on what is going on in the tower co space in Egypt? A government license was issued and IHS was part of that; I am not sure if that actually went through or not.*

**Mohamed Shamroukh:** Yes, you are correct. IHS is the only licensed operator. However, we mandated our investment bankers, EFG and HSBC on the transaction. They advised us to find more than one international player and have different models to avoid any licensing complications. As such, it might be through IHS, the only licensed operator, or some other international player that is not yet in Egypt.

**Omar Maher:** *Do you know if they started operating on the ground, or are they still in the process of creating the entity?*

**Mohamed Shamroukh:** I think they are trying to close some deals. The biggest deal at the moment is the build-to-suit model with Telecom Egypt.

**Omar Maher:** *Are there any other balance sheet monetization initiatives in the pipeline? I remember a while back we discussed the potential of monetizing the real estate portfolio – is that still part of the plan? Is there anything that you think is a low hanging fruit that you could take advantage of regarding finances?*

**Mohamed Shamroukh:** We thought of monetization through real estate, through the sale of land that we have. However, there are some legal challenges on that front. We are looking at some other initiatives such as the data center. Mohamed Nasr might be able to give us his view on how we might be able to capitalize on our land bank through the data center model – in an accretive way with less capex, and more investment and returns for the shareholders.

**Mohamed Nasr:** Thank you Omar. I think the idea here is that data centers are a capex-heavy industry and our focus is on the service: how to expand our services to different cloud providers and heavy data users. As such, we would like to partner with specialized companies in data center investment, whereby we can create a cooperation model whereby they invest in the data center capex itself and we provide the services. We can rent out the space, and be their operational and sales arm while bundling this with our connectivity services. This will help us to expand our data centers at a faster pace while at the same time focus on the core services we offer.

**Omar Maher:** That's very clear thank you. One last follow up since you mentioned data centers: *What kind of opportunity do you see there? Could you quantify the plans in terms of the capacity you plan to rollout or the number of sites?*

**Mohamed Nasr:** Currently, our largest data center is RDH, which we launched last year. It is already fully sold out – 400 racks with an IT load of about 3MW. We are hoping to expand to the second phase, which is currently under procurement. One of the ideas is to find a partner who can acquire the first phase and commit to the expansion of the second phase, or alternatively, find a partner who can work with us on the second phase of the RDH expansion. The second phase will be the same size as the first, about 500 racks, but with additional wall space for equipment. We have one of the biggest global OTTs as a tenant for the first phase and we expect they will demand additional space for expansion. As such, we are committed to building the second phase, which will take about 1.5 to 2 years for completion.

**Omar Maher:** That is very insightful. Thank you.

**Wael Hanafy:** There are three questions related to wholesale performance this quarter - one from Sahar, one from Piotr, and one from Darren: *What will be the normalized level for wholesale revenues for the rest of the year given the one-off boost in Q1 2023? What are the main drivers of strong wholesale revenues expansion apart from FX? Were there some one-offs or was the growth organic? Given the strength of the International business, is Q1 performance repeatable for the rest of the year? Are there significant one-off revenue lines that will not occur again?*

We can give you an overall answer to all these questions.

We can take a look at wholesale business unit by unit: The huge hike in domestic services this quarter was related to the IRU services we provided to the mobile operators in Egypt. These kind of services are not one-offs, but instead they fluctuate from one quarter to the other. The revenue this quarter amounted to c. EGP 900mn. If we look at last year and the year before, it was more or less the same. IRU services are recorded over the year but may fluctuate from quarter to quarter—as such they could be recurring and maybe fluctuating, but are surely not one-offs. Looking at the two other business units, starting with ICA, the only thing you can normalize is the FX effect. We witnessed about c. 77% increase YoY during this quarter. One third of this is related to an increase in the performance while the other two-thirds is related to the FX appreciation of the USD against EGP. So, if you want to calculate your numbers later for the next three quarters, it should be more or less the same: one third for the performance and two-thirds for the FX effect. For the last business unit, IC&N--the only thing we can say is a one-off is the ancillary services (O&M), which recorded about USD 6mn. We believe this will be more or less the same in the next quarter. We expect revenues from operational maintenance, ancillary services, and restoration to return to normal in Q3.

With that, we have answered the three questions from Sahar, Piotr, and Darren. We will now take the questions related to Vodafone: *Any visibility of Vodafone Egypt sale--are talks still ongoing?*

Mr. Shamroukh will handle these questions.

**Mohamed Shamroukh:** As mentioned before, yes, part of the Egyptian government's privatization program is to sell some assets; and one of the assets listed is Telecom Egypt's stake in Vodafone Egypt. However, as we mentioned before, we have not reached any binding offer from any buyer. Internally, we have finalized the information deck with our investment banker for any interested parties. Our decision on that part will be based on what is accretive for Telecom

Egypt. However, for the time being and near future, there is nothing solid on the ground we can say is a binding offer from any buyer.

**Madhvendra Singh:** I have two questions. The first question is on your wholesale roaming agreement for the mobile business. *You recently changed from Etisalat to Orange: I was wondering why this change required and why didn't you go with Vodafone where you already have a 45% stake? Your effective cost of that roaming would have been much lower. My second question is a follow-up on the Vodafone part: I just want to understand the rationale behind exiting the Vodafone stake given how accretive the earnings and dividends are for Telecom Egypt coming from Vodafone Egypt. If you could discuss that rationale as well, that would be helpful.* Thank you.

**Mohamed Shamroukh:** For the national roaming agreement, we considered the move from Etisalat to Orange due to the price. The cost we are now paying for national roaming is significantly lower with Orange, which has enhanced the gross margins for our mobile business, making it more accretive for our shareholders. Regarding Vodafone, we considered the calculation of the FCF percentage and the incremental revenue we are getting from Vodafone – but the price from Orange was still much more accretive from a corporate view. So, the main criteria for moving from one operator to the other was the cost element. Vodafone was definitely the preferred partner for Telecom Egypt because of the dividend payback, but again, from a corporate view, Orange was the best. Regarding the Vodafone stake, you are right; we are keeping an eye on Vodafone. We have not seen any real threat from the retail side from the mobile front and cannibalization has not taken place on either the fixed or mobile front. However, as we have always mentioned, at a certain point we will need to sell this asset. As I said before regarding Vodafone visibility, we have finalized the requirements from the management side, but we are still waiting for a buyer. I think the tower sale is delayed due to the macro conditions in Egypt and this is also what's delaying the Vodafone sale. I think once there is more clarity on the macro level, we will have a clearer view as to how we can move forward with this stake.

**Madhvendra Singh:** Two more follow-ups on that: *Is there any regulatory requirement for you to reduce your stake or exit from Vodafone? Secondly, could you also consider listing your shares in an IPO or something of a public offer if you do not find a single buyer through a bidding process?*

**Mohamed Shamroukh:** Telecom Egypt cannot execute such a bid on its own; it has to go through the Vodacom Group. However, I do not think they have an appetite to put any assets on



the market right now with the current macro conditions. In addition, the macro conditions will not make it very feasible or easy. I think strategic investors or GCC sovereign funds will be interested once the macro level and the hangover from the FX effect become clear. I do not think listing for Telecom Egypt will be more accretive than selling to one strategic investor. Currently, nothing is required from management's side – we are just waiting for a buyer to place an offer. I believe once the macro conditions improve it will materialize.

**Madhvendra Singh:** Sorry, I think it was not clear: *Are there any regulatory requirements to sell the Vodafone stake?*

**Mohamed Shamroukh:** No, there are no regulatory requirements.

**Wael Hanafy:** We can take the question by Piotr: *Why did your mobile customer base decrease in Q1 2023 vs. Q4 2022?*

**Tarek Abdelhamid:** The mobile customer base YoY is almost flat; however, the most important factor contributing to this decrease is related to the end of life cycle for student SIM cards. The students' project basically provides data SIM cards to students to use on the tablets provided by the Ministry of Education. Every three years, we reach the end of the life cycle for about 500 to 550k data SIMs. So, at the end of the day, we managed to grow our organic customer base coming from normal customer demand, while ending the life cycle of 500k. This is reflected in the revenue growth as we grew on the mobile side by about 22% YoY with almost the same number of customers, which shows that we have managed to enhance our customer base mix.

**Mohamed Shamroukh:** I have one thing to add to what Tarek explained: As part of managing the inflation and capex spend, which is mainly USD-denominated, we have asked the commercial team to do a cleansing process every now and then, even if this is against the customer base. This is to ensure all our network expansion elements, especially on the core side, are maintained within a limited capex spend. As such, in the future, we might face more cleansing, ARPU enhancement and savings, which might have a negative impact on the customer base itself, but will not impact the growth in terms of revenue and ARPU. However, this is necessary to increase capex savings, especially given the current macro conditions.

**Wael Hanafy:** I will take the next question: *What was your USD revenue for the period? Are there any plans to increase prices in the coming year?*

We recorded about 28% of our top line in USD terms this quarter. Meanwhile, the second half of the question is related to the price-up: Mr. Nasr can provide us with highlights about our intention to price-up for our entire portfolio.

**Mohamed Nasr:** On the FBB side, we started discussions with the regulator on the need to price-up. However, given the economic pressures, the regulator does not want to affect the market by increasing the prices of telecom services, which are part of the country's digital transformation process. We are encouraging people in Egypt to use digital services more, so they do not want to hinder this growth. As such, thanks to our commercial team, we are coming up with different models that will provide increased prices on the quota level – so more for more. I think this will be appealing for the regulator to see, as these models will encourage people to use digital services more, while at the same help us to reduce the effect of the cost inflation. This on the FBB side. We are taking the discussions forward and are hoping to reach a deal within the next few months. On the MBB side, discussions began earlier as there was pressure on the whole market, including Telecom Egypt to price-up MBB. We have learned that the regulator has accepted to increase prices and so this will come into effect soon for all mobile operators in Egypt. As such, we will start with the mobile side first and then head to the fixed side.

**Wael Hanafy:** We can move forward to Nikhil's questions – taking them one by one: *Is management changing 2023 guidance in light of Q1 numbers?* Shady and Sahar also asked about the guidance: *Will you change your guidance for 2023 especially with this outstanding performance during Q1? How is the full year guidance for the revenue growth an early double digit given the 48% spike in Q1 2023? Does that mean a drop in the coming quarters or is that the initial guidance? If so, could you please provide us with the new one?*

We as the management are sticking to the 2023 guidance we provided or set at the end of last year. However, you should bear in mind that when we set the guidance last October, it was before the second wave of the devaluation; so, for sure, there will be a positive impact on the revenue and EBITDA. There is no decline in the next quarters this year if we compare to Q1. You must bear in mind that this year is challenging, so we are just trying to maintain or slightly beat our guidance.

The second question is related to the taxation: *Can the management kindly explain how taxation worked in Q1 2023 wherein we see a deferred tax gain. How should we think of it going forward?*

Yes, the taxation witnessed in this quarter and last year is related to the FX accounting treatment. As you know, we capitalized half of the FX expenses recorded in this quarter on fixed assets and

the remaining half was expensed on the OCI. So, the tax implications resulted in significant deferred tax assets, which lead to a favorable outcome on the income statement.

*Can we see this later on?* I can't answer this right now as it depends on the FX fluctuations – if there are any waves or further devaluation in the future, then there will definitely be a positive impact on the taxation.

Tarek can handle the next question: *Why is it that WE's ARPU has not increased much in the last 12 months but competitors' ARPUs have increased materially?*

**Tarek Abdelhamid:** On the mobile side, our international incoming revenue is recorded on the wholesale side of reporting. As for our competitors, they probably record this under retail so the FX effect on the incoming international calls is visible on their ARPU side. In our case, it is more visible on the wholesale side. In addition, they probably have better inbound roaming revenues coming from increased tourism in the past 12 months. For data usage growth, it will be more or less the same in terms of growth rate compared to our customer base. As for FBB, you will see 10% YoY ARPU growth, which is a reflection of what we expect. It is better than previous years as it is still growing. I hope this answers your question.

**Wael Hanafy:** The next question: *What is the guidance on margin and salary costs going forward?*

We will maintain our salary guidance as is. Salary costs are increasing YoY, however as a % of the top line, they are decreasing and we will try to maintain this or decrease it as much as possible.

Mr. Shamroukh will answer the next question from Eman: *Can you please highlight the reason for the increase in debt level and if you please provide a breakdown on debt in USD and EGP term?*

**Mohamed Shamroukh:** Part of the debt structure is in EGP and part is in USD. Our financial statements are in EGP; accordingly, we have reevaluated our debt obligations due to the devaluation we have seen. In terms of structure, more than two-thirds of the debt is in USD. We are able to fully cover our debt from our USD resources and we have excess proceeds that we use for other capex spending. .

**Noha Baraka:** There is a question from Farouk Miah. Go ahead please.

**Farouk Miah:** *Are you happy with your FCF progression as compared to the P&L profits? I know there are some one-offs, and you mentioned the last tranche payment of the spectrum, but FCF to EBITDA remains low. What guidance can you give on FCF progression vs. P&L progression?*

**Mohamed Shamroukh:** Wael will give you the details, but I will give you a macro view. We had some major capex spending starting 2019. It was based on the use of vendor financing that would take place during 2023 and 2024. So the cash capex that we paid in this quarter is related to the capex that we already incurred in 2019 and 2020. So, although the in-service capex is EGP 1.1bn or EGP 1.3bn, the cash capex in this quarter was about EGP 6bn. We do not expect further vendor financing to be paid as most of the capex will be by closed by 2024 in terms of cash payments. On the other hand, we are significantly reducing our capex spending: down from 45% in 2019 to almost 27%, and are planning to go down to 25% in the coming two years. Our old capex dues will be settled by 2024 and capex going forward will be reduced significantly. As such, our target for the FCF progression to EBITDA, which will align with P&L progression in 2025 will be about 60% of FCF to EBITDA. This target is based on paying the capex dues and reducing the capex spending going forward.

**Wael Hanafy:** I just have one more thing to add: This quarter's FCF is EGP 560mn, so FCF to EBITDA is 9%. However, if we deduct the last tranche of the spectrum, this figure would reach EGP 2.6bn, or 43%. Our guidance is to reach a FCF between 20-25% of EBITDA by the end of the year.

**Farouk Miah:** Thank you. That is very clear. *My second question is regarding your mobile business. If you could elaborate on what is the long-term plan for this?* From what I understand, it is still the number three or number four player. You mentioned that from the 12mn subscribers, many are on government programs, so not the same as the normal business. *What is the plan, and can you clarify how many of the 12mn subscribers are on government-subsidized programs like the school one?*

**Tarek Abdelhamid:** Our position on the mobile business is to provide total value propositions to the customer at the end of the day. This is our long-term view. WE as a brand is a total telecom services provider, whether on the retail or enterprise side. We are growing our base organically on the normal customer acquisition front. We currently have about 70% customers in this segment. Our postpaid market share is very competitive; we have our fair share, which is more or less an FMC value proposition called Indigo. Prepaid constitutes 60% of our existing base, and our ARPU is very close to the market average. Regarding the government projects, we saw this

as an opportunity as it helped us to penetrate some segments, which we could not have reached without these subsidized programs, given that the new customer price for SIM cards increased significantly in 2018—when the new tax was implemented. At the end of the day, we see customer growth in the different segments but at different rates. We do not foresee that the penetration or representation of government-subsidized projects will increase. As such, for the next few years we will focus more on youth, FMC, and high-value customers. This is our plan. For the enterprise, we have several machine-to-machine projects and IoT products, as well as the large corporate accounts. We have very good relationships with many enterprise corporates in Egypt and are building on that front. As mentioned in different forums, we are building our own capabilities when it comes to IT and network infrastructure. We are also enhancing our customer touchpoints through the digital arms. Our long-term view is that we have our fair share. Currently, we see our fair share in acquisition and we will continue to build on that momentum.

**Mohamed Nasr:** I would like to add to what Tarek mentioned here regarding why we obtain some government projects such as data SIMs or school projects, which might have low ARPU customer base. We see this as an opportunity, and the commercial team is looking at how to tap into the early relationship between Telecom Egypt and the youth at this age who are still at secondary school. We are trying to attract these students to continue being WE customers once they go off to university by. As such, having this early relationship means we can try build on it by convincing them to upgrade their data SIMs once they finish secondary school to become long term WE users. On another note, having lower ARPU users on the network gives us the opportunity to provide a very niche service to other heavy data users. This is because we have better management of the spectrum and are able to provide better services compared to other operators in the market. This is very clear in the regulator report—our data network is the best among the four operators. We have room on our spectrum to provide a unique service to our customers versus other operators that have a packed spectrum. So, the lower ARPU on one side provides us with a different experience for our users on the other side – which is the main target of our FMC portfolio of services: to be the best data provider on the market – either mobile or fixed. As such, this is helping us to achieve our FMC strategy.

**Farouk Miah:** My last question is linked to a previous question: *Could you elaborate why, if the Vodafone stake sale is hitting a wall given the macro situation, are you not considering working with Vodacom to list their Vodafone Egypt business, or list it with your stake being what is offered to buyers? Why would you not consider that, given the potential to unlock value for Telecom Egypt?*

**Mohamed Shamroukh:** I think I have already answered why listing is not an option. Listing of Vodafone Egypt is not on Vodacom's agenda by any means. The Vodacom-Vodafone Egypt transaction was done at a rate of USD 1 to EGP 15.75, and now the rate is EGP 31 – so this is 100% devaluation of the EGP vs. USD. I don't think Vodacom will consider putting assets on the market which they bought one year ago with a handover decreasing value of 100%. Vodacom management has said they will carry over the devaluation impact within two years. Based on our discussions, they are not ready to place the asset on the market, especially after the devaluation. The talks have been postponed for the time being. However, even if they were to consider listing, it would only be after two years of operation to cater for the devaluation effect.

**Wael Hanafy:** We have one final question from Farah: *Can you please repeat your guidance for revenues margins and bottom lines?*

The guidance for 2023 is early double-digit for revenue growth, an EBITDA margin of mid-to-high 30s, an in-service capex of early 20s, and FCF/EBITDA of mid-twenties. I know this seems like a very conservative guidance, even compared to Q1 results, but as I mentioned before we will not change our guidance. We will try to beat it or achieve much higher results.

**Mohamed Shamroukh:** Mr. Nasr has asked us to develop a 3+9 exercise following the devaluation and impact of the interest rate. We will present it to the board, and once we do that, we might update our guidance.

**Noha Baraka:** There seems to be no further questions on the line. Back to the management team, any closing remarks from your end?

**Wael Hanafy:** Thank you.

**Mohamed Nasr:** Thank you. We look forward to reporting amazing results next quarter as well.

**Noha Baraka:** On behalf of CI capital, I would like to thank Telecom Egypt management team for their time and comprehensive responses today, and thank you everyone for dialing in. Have a good rest of the day.