# Telecom Egypt Q2 2025 Earnings Call Transcript

Telecom Egypt (ETEL.CA; TEEG.LN) Q2 2025 earnings call dated 14 August 2025

## Call Coordinator:

**Mariam Wael** – Al Ahly Pharos

## Corporate Participants:

**Mohamed Nasr** – *Managing Director and Chief Executive Officer*
**Wael Hanafy** – *Chief Financial Officer*
**Mohamed Mokhtar** – *Budgeting Senior Director*
**Tarek Abdelhamid** – *Senior Director of Consumer Sales and Marketing*
**Ahmed Zayed** – *Investor Relations Director*

**Mariam Wael:** Good morning and good afternoon, everyone. Welcome to Telecom Egypt's second quarter 2025 results call, and thank you for joining. A quick reminder: if you have any questions, please type them in the Q&A box at the bottom of your Zoom screen, and I'll read them out for management.

Without further delay, I'll hand the call over to Ahmed Zayed. Ahmed, the floor is yours.

**Ahmed Zayed:** Thank you Mariam, and thanks to Al Ahly Pharos for hosting this quarter's conference call. Earlier today, we released our financial and operational results for the first half of 2025. Kindly note that the results presentation is available on our IR website, ir.te.eg, under the quarterly results section of the financial information tab.

We will start with a briefing on the key highlights of the period presented by our CEO, Mr. Mohamed Nasr, followed by more details on our financial performance to be presented by our CFO, Mr. Wael Hanafy. After that, the floor will be open to your questions. Our Consumer Marketing Senior Director, Mr. Tarek Abdelhamid, and our Financial Planning and Budgeting Senior Director, Mr. Mohamed Mokhtar are also attending the call.

Before we begin our discussion today, please allow me to read out the following disclaimer:

The information and opinions on this call, provided as of today's date, are based on general information gathered at such date and are subject to changes without notice. None of the future projections, expectations, estimates, or prospects discussed on this call should be taken as forecasts or promises. Such forward-looking statements contain known and unknown risks, uncertainties, and other important factors that may cause the Company's actual results to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements.

Without any further delay, I will now hand over the call to Mr. Mohamed Nasr.

**Mohamed Nasr:** Thank you Ahmed and thank you all for joining our call today.

I am pleased to report that the first half of 2025 delivered another strong set of results for Telecom Egypt, reflecting disciplined execution, operational efficiency, and a focus on high-return opportunities. In a rapidly evolving industry, we continue to demonstrate resilience and sustainable growth.

Turning to our financial highlights during this period, total revenue grew by 33% YoY to EGP 50.6 billion, underpinned by a 47% surge in Data revenue and robust gains in International Incoming Calls, which rose 50% YoY.

The Retail segment remained our largest contributor, accounting for 58% of total revenue and driving nearly two-thirds of our YoY growth. Within this, Home & Consumer revenues rose 45% YoY, supported by a 46% YoY increase in Data revenue to EGP 21.2 billion. Mobile revenues increased 36% YoY, benefiting from higher ARPU following last year's price adjustments and a growing customer base. Enterprise revenue also delivered a solid 15% increase. Our customer base continued to expand across the board, with mobile subscribers up 12% YoY, fixed broadband up 8%, and fixed voice up 6%.

Shifting to our Wholesale operations, Domestic, ICA, and IC&N revenues grew by 15%, 47%, and 12% YoY, respectively. The sharp increase in ICA was driven primarily by a 50% YoY rise in International Incoming Calls revenue to EGP 6.6 billion, reflecting higher international incoming call traffic and supported by FX gains.

Moving from revenues to profitability, our disciplined focus on balance sheet strength, profitability, and cash generation — supported by last year's strategic measures in deleveraging, cost efficiency, and smarter capital allocation — is now delivering tangible results.

EBITDA increased 43% YoY to EGP 22.1 billion, delivering a margin of 44%. Net profit reached EGP 10.5 billion, up 61% YoY, with the margin expanding to 21% in H1 2025 from 17% in H1 2024. If we exclude the effect of the FX gains and losses, normalized net profit grew by 50% YoY and achieved a margin of 20% compared to 18% in H1 2024. This demonstrates our success in translating the strong top-line growth into enhanced profitability. FCFF reached EGP 8.1 billion, equivalent to 36% of EBITDA, while our debt structure enhanced significantly, with net debt/annualized EBITDA improving to 1.6x in H1 2025 from 2.4x in H1 2024.

Turning now to our strategic milestones, a major achievement this quarter was the launch of our 5G services, positioning Telecom Egypt to enhance the customer experience and enable a new era of digital innovation. This is a pivotal step in our strategic roadmap, enabling us to meet the evolving needs of Egypt's digital economy.

Looking at the remainder of 2025, we are confident in delivering sustainable revenue growth, supported by continued momentum in our retail business, the monetization of our unique network of terrestrial and subsea infrastructure, and disciplined cost management to maximize returns. Our focus remains on strengthening our core business, driving sustainable profitability, and creating long-term shareholder value. With our resilient business model, strong execution capabilities, and expanding digital portfolio, we are well-positioned to navigate challenges and seize the opportunities of a rapidly evolving digital ecosystem.

I would like to close by thanking our employees for their dedication, our customers for their trust, and you – our investors – for your continued support.

With that, I have completed my brief, and I will now hand the call over to our CFO, Mr. Wael Hanafy, to discuss the key financial highlights of the quarter.

**Wael Hanafy:** Thank you, Mr. Nasr. Let me now take you through our Q2 2025 performance in more detail.

Starting with revenues, top-line revenue increased by 26% YoY to EGP 25.8 billion. This growth was driven by a 38% increase in Retail revenue and a 12% increase in Wholesale revenue.

In the Retail segment, Data remained the key growth driver, increasing 46% YoY and contributing 68% of the total revenue growth for the quarter. This was supported by the base effect of price increases implemented across the Retail segment in 2024, alongside a steadily expanding customer base and increased data consumption.

On the Wholesale side, the increase was mainly due to a 33% YoY increase in International Incoming Calls revenue, mainly driven by a 25% rise in international call traffic.

Moving down the income statement, EBITDA increased by 38% YoY, with margins improving to 44% in Q2 2025 compared to 40% in Q2 2024. This improvement reflects both strong top-line growth and disciplined cost control.

Operating profit grew 43% YoY, fueled by robust operational performance and cost optimization efforts, which offset the 21% rise in D&A.

Income from VFE rose 69% YoY to EGP 3.5 billion, supported by stronger operating performance driven by organic growth, including price adjustments.

Interest expense increased by 18% YoY, mainly due to a higher proportion of EGP-denominated debt, which rose from 37% in Q2 2024 to 51% in Q2 2025, lifting the effective interest rate to 16% during the quarter.

Normalized net profit, adjusted for a FX gain of EGP 0.9 billion in Q2 2025 and a FX loss of EGP 0.7 billion in Q2 2024, increased by 65% YoY, reaching EGP 5.2bn, with the net profit margin expanding to 20% from 15%, reflecting strong operational performance and effective cost optimization measures.

Overall, these results highlight our ability to deliver on our targets, and we remain focused on sustaining this momentum into the second half of the year.

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

**Mariam Wael**: Thank you for the presentation. We can now open the floor for questions. As a reminder, please type your questions in the Q&A box.

Question 1: *Why are enterprise/domestic ICA/ICN revenues weaker than the recent trend?*

**Wael Hanafy:** I don't think they're weaker. On a quarter-over-quarter basis, enterprise is broadly flat between Q1 and Q2, with no further decline.

For domestic, some IRU (indefeasible right of use) circuits were recognized in Q1—about EGP 300 million—due to timing. There may be little or none this quarter, but we expect more IRU services to be recognized in the coming quarters.

For ICN, it's not weakness; it's about revenue recognition—revenues are booked when services are delivered and approved by customers. We have a strong pipeline that should come through in Q3 and Q4. Revenues related to crossings, cables, and capacity sales were mostly recognized in H1 2024; this year, the majority is expected to be recorded in the third quarter.

**Mariam Wael:** Ok, thank you.

Question 2: *Employee costs and S&D costs are strictly controlled. Congrats. How was this done, and is it sustainable?*

**Wael Hanafy:** Yes, it's sustainable. We reduced annual merit increases to 10%, 11%, or 12%, depending on the employee performance appraisal. However, over the past two years, given the macro uncertainty, we required higher adjustments to retain talent. With greater macro stability now, we're keeping tighter control of merit increases.

**Mariam Wael:** Thank you so much. The next question is about *the CapEX guidance for 2025 and 2026.*

**Wael Hanafy:** For 2025, in-service CapEX guidance is in the low-20s as a percentage of sales, and we're on track to meet this target. For 2026, guidance is similar—low-20s, at most mid-20s. We expect to maintain this range for the next three to four years.

**Mariam Wael:** The next question asks: *What are the drivers behind VFE's strong performance, and what's your outlook for this business?*

**Wael Hanafy:** Yes. The main driver was the price adjustments made last year—one at the beginning and another at the end—which boosted performance, and this is sustainable. We also continue to benefit from our agreement to receive 60% of VFE's free cash flow as annual dividends. In addition, we benefit indirectly from growth in the telecom services we provide to them on a commercial basis. So we gain both from increasing dividends and from their expanding operations.

**Mariam Wael:** Another question is asking about *the update on tower sales*.

**Wael Hanafy:** We have no update on this since our last call. We received two offers from potential buyers, but they were not lucrative enough. We're working with our investment bank to improve the offers we've received. If that's not possible, we may postpone the transaction for the time being, or pursue an alternative approach—for example, partnering with one or two local operators to carve out all our towers into a single entity, creating a larger platform that could attract a major buyer for towers in the local market.

The study for this alternative is not yet mature; we're waiting for guidance from our investment bank. If we can't enhance the current offers, we'll consider other options or avenues to monetize these assets.

**Mariam Wael:** Thank you. Another question on the 2025 outlook: *Will a 44% EBITDA margin be sustainable? And what are your expectations for Vodafone income in H2 2025?*

**Wael Hanafy:** Okay, let's start with the second part. Vodafone income is expected to remain strong in H2 2025 or at least in line with H1 2025. As for the 44% EBITDA margin, our guidance is in the high 30s. Internally, however, we have a KPI to start exceeding 40% and sustaining it. So I hope we will at least reach the low 40s.

**Mariam Wael:** Congratulations on the results. *Could you walk us through the debt and interest again, please? Also, what are the CapEX plans for the remainder of the year?* Let's address that first. *And when do you expect to begin benefiting from lower interest rates?*

**Wael Hanafy:** We've already started benefiting from lower interest rates, beginning at the end of last year. For the remainder of this year, we're still waiting for additional cuts—both in EGP and in USD terms.

What we're doing now, and have succeeded in, is shifting our debt mix. Two to three years ago, it was about 90% in USD dollars and 10% in EGP, because at that time, the interest rate differential was so large. That gave us a benefit from lower dollar rates versus higher EGP rates, but it also exposed us to FX risk if the USD strengthened against the EGP.

Today, with greater stability and the interest rate cuts we've seen—and hope to continue seeing this year—we've started to increase the share of EGP debt and reduce the share of USD debt. As long as we repay debt, if we need new funding, we can access it from the local market in EGP.

As you know, every 0.5 percentage-point cut in USD policy rates may trigger roughly a 2.0–3.0 percentage-point reduction in EGP rates. The Monetary Policy Committee in Egypt is scheduled to meet at the end of August, and we hope for an EGP rate cut that would enhance our interest savings. There's also a Fed meeting in September; we're watching for potential further cuts there as well.

On CapEX for the remainder of the year: our guidance remains in the low 20s for the CapEX-to-sales percentage, and we believe we can achieve this target. Reported in-service CapEX is currently running below guidance because much of it is recognized toward year-end as projects enter service. For example, in-service CapEX may be at USD 5–6 billion now, but a significant portion will be recorded as we reach the end of the year. We remain committed to the guidance provided at the start of the year—an in-service CapEX-to-sales percentage in the low 20s.

**Mariam Wael**: Thank you so much for that. Very clear. Another question is *asking about 5G population coverage targets for 2025/2026 and the underlying CapEX for 5G?*

**Wael Hanafy:** Regarding 5G CapEX: I'll start with the second part and leave the first to my colleague Tarek.

Our CapEX target for the year already is set for the entire portfolio of services we provide, and this include includes the CapEX for 5G. I can't provide or disclose the exact 5G amount right now, but it's within the normal contained CapEX target we set at the start of the year. I'll now hand over the first part to Tarek.

**Tarek Abdelhamid:** Okay, regarding the 5G plan: as an industry best practice, we are following a network-for-sales approach. The current market penetration of 5G handsets is below 15%. We monitor handset adoption and roll out the network accordingly. As we speak, we have 5G presence in five major cities, and we will continue to roll out in line with the growth in customer adoption of 5G handsets. It has to make economic sense, and we are also optimizing the spectrum we have accordingly. For now, we are catering to demand based on customer adoption.

**Mariam Wael:** Thank you for that. We have a few questions related to VFE stake: *How does management view the VFE stake? Have any parties expressed interest in the stake?*

**Wael Hanafy:** Yes, we have two strategic relationships with VFE. First, it is our customer, as they are one of the mobile operators in Egypt and we serve them. Second, it is one of our investments.

On the first point, VFE is one of our major customers in Egypt. We have many strategic, long-term partnerships across different commercial deals. We provide them with a wide range of services. As they grow, we benefit as well, indirectly. This is one leg of our partnership with VFE.

The second leg is our investment. As management, we view our investment in VFE as attractive—either to hold or, potentially, to sell. Especially after the shareholder agreement amendment we made three years ago, which secured dividends from VFE, we now have visibility on the numbers from them and, at any time, clear visibility over our investment.

Have any parties expressed interest? Yes—from time to time we hear that local or international investors or strategic partners are interested. But for the time being, there are no discussions with anyone about an interest in the VFE stake.

**Mariam Wael:** Thank you. Another participant says, "Congrats on the strong control of debt." *What is the plan for bringing down the debt ratio and interest payments further? And why are you moving to EGP debt, which has much higher interest rates?*

**Wael Hanafy:** Our target in this regard is to keep deleveraging. Any excess cash we generate—even in USD—we use to repay debt. That's how we have managed to control our debt, and this plan is ongoing.

Our interest payment levels are linked partly to EGP and partly to USD facilities. Most of our deals are on variable rates—SOFR/LIBOR plus a margin, or corridor-based pricing—so we benefit when rates are cut.

On the financing side, we also use vendor financing. Instead of taking a direct bank loan at market interest rates, we can finance CapEx through our vendors at a lower interest burden. This gives us flexibility. As management, we have a robust plan to control our interest costs, starting this year and covering at least the next four years. According to our business plan, after about four years we expect to return to a net cash position, similar to what we had before.

**Mariam Wael:** Thank you so much for that. I would like to remind everyone that if you have any questions, please type them in the Q&A box at the bottom of your Zoom screen.

**Ahmed Zayed:** Can I go back to a previous question we touched on regarding the performance of VFE? I want to elaborate that the current performance you're seeing is sustainable and represents the new base after the recent price up.

However, when looking at YoY growth, we should consider the base effect. Last year, VFE recorded an FX loss of around EGP 1 billion on its income statement, which somewhat exaggerates the YoY growth. But the new base you're seeing now is sustainable and continuing after the price up.

**Mariam Wael:** Thank you, Zayed, for that. The next question is: *Could you remind us of your dividend policy, and what issuance can we expect in 2025?*

**Wael Hanafy:** We don't have a formally approved written dividend policy that's approved by the Board or OGM. Our intention as management is to keep the dividend steady at the level we have paid year after year, and to enhance it slightly over time, YoY.

Regarding the payout ratio, we don't have a fixed payout ratio for dividends. As I mentioned, last year, we paid EGP 1.5 per share. Our aim is to maintain that level or, if possible, enhance it.

**Mariam Wael:** Thank you. There's a question about *the significant time gap between the release of the Egyptian statutory financial statements and the IFRS statements.*

**Wael Hanafy:** As many of you know, we have two auditors. One audits the Egyptian statutory financial statements, and the other audits the IFRS statements.

Yes, there is a significant gap between the two releases. After we finalize the Egyptian accounts we then begin reviewing IFRS with the other auditor. That process effectively starts from the beginning and takes additional time, which is why we try, as we did last year and the year before, to announce IFRS Q1, Q2, and Q3 together, and then follow with the full-year results.

For the full year, the gap between IFRS and Egyptian reporting is about three months. Under IFRS, we are allowed to release full-year results maximum by the end of June each year, whereas under Egyptian standards we must hold the OGM by the end of Q1. This creates urgency to complete the Egyptian statements first, and only then we start to finalize IFRS. Hence, for the full year, the difference is roughly three months.

**Mariam Wael:** Thank you for the clarification. There's a follow-up question on *the expectations of cash CapEx for the year. Do you have anything to add?*

**Wael Hanafy:** Our target, as presented at the beginning of the year, is for cash CapEx to be in the range of about EGP 23–25 billion for the year. Right now, we are containing spending so as not to exceed this target.

We have a target for the free cash flow to be 40% of EBITDA. Anything that could affect free cash flow is being closely monitored.

**Mariam Wael:** Thank you so much for that. A question is about the data center sale: *How did the sale of the data centers go? Was the deal done, and how did it affect the figures?*

**Wael Hanafy:** We have not yet received binding purchase offers, but we expect to receive them in the near future. After that, our investment bank will review the offers with management, the Investment Committee, and the Board. If the terms are lucrative, we will proceed to conclude the transaction. So, the process is going well.

How did it affect the figures? Not yet—there is no financial impact to report at this stage. We need to wait until we receive the final binding offer from the bidder; we will disclose details as soon as disclosure is required.

**Ahmed Zayed:** We had previously indicated that we would have an update to share with the market by now. I want to reassure everyone that the process is progressing well, but it is delayed a bit, and we will update the market soon.

**Mariam Wael:** Thank you so much for that. We have only a couple of questions remaining, so if you have any further questions, please type them into the Q&A box now.

The next question is: *International incoming call traffic revenue was up 45% to 50% YoY. Are you surprised it remains strong, given the availability of VoIP and other strong alternatives available?*

**Wael Hanafy:** It wasn't a surprise; it is the outcome of a clear strategy that we set for this business unit several years ago. Our international incoming calls segment can be divided into two main components: a large Gulf-related market that contributes significantly to more incoming call traffic to Egypt, and another segment that includes the US and all the other markets.

Over the past years, we put in place many trilateral arrangements between Telecom Egypt, the Egyptian mobile operators, and the international carriers that own the traffic. We aligned commercially to grow revenues and share the upside. These tactical agreements are renewable: we typically run them for 6–12 months, assess for cannibalization or any adverse effects, and, either we renew them or explore additional growth opportunities.

On the technical side, we upgraded the connectivity that carries this traffic, both locally and internationally. These enhancements improved quality and the value of the call. As a result, our average call duration—a key metric—increased by about 50%, which significantly boosted total traffic.

As such, with the strategic partnerships we launched last year with local and international carriers, and the enhancements to our technical connectivity, we believe this growth is sustainable.

**Mariam Wael:** Thank you so much. One final question: *Were any early retirement plans carried out in 2025? And do you have any plans for the future?*

**Wael Hanafy:** By the way, we have an ongoing early retirement program. We open it for about two weeks, then close it, and later reopen it to encourage employees to opt in. We followed the same approach as last year and had more than 500 employees opt in. This year, I believe around 200 employees opted in when we opened it.

In any case, it's a small share of our total workforce, so there is no significant impact. In other words, it's a minimal number of employees each year, and there is no significant cash outflow related to this retirement plan.

**Mariam Wael:** This was the final question for today, and it seems there are no further questions. We'll now hand it back to management for any closing remarks.

**Ahmed Zayed:** Thank you so much, Mariam, and thank you, everyone, for joining our call today. If you have any follow-up questions, please reach out to the Investor Relations department at investors.relations@te.eg.

**Mariam Wael:** Thank you so much. I would like to thank Telecom Egypt's management for their time and insightful presentation, and I also want to thank everyone for joining us.