

# Telecom Egypt Q1 2025 Earnings Call Transcript

Telecom Egypt ([ETEL.CA](#); [TEEG.LN](#)) Q1 2025 earnings call dated 13 May 2025

## Call Coordinator:

Noha Baraka – CI Capital

## 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*

Hind Ebeid – *Senior Director of Corporate Strategy and Business Processes*

Ahmed Zayed – *Investor Relations Director*

**Noha Baraka:** Hello everyone, and thank you for dialling in. This is Noha Baraka from CI Capital Research. We have the pleasure to be hosting Telecom Egypt's first quarter 2025 results conference call today.

Joining us from the management team are:

- Mr. Mohamed Nasr, Managing Director and CEO
- Mr. Wael Hanafy, CFO
- Mr. Mohamed Mokhtar, Senior Director of Budgeting
- Mr. Tarek Abdelhamid, Senior Director of Consumer Sales and Marketing
- Ms. Hind Ebeid, Senior Director of Corporate Strategy
- Mr. Ahmed Zayed, Director of IR

We will begin with a brief presentation by the management team, and then we will open the floor for questions. Mr. Mohamed, please go ahead.

**Ahmed Zayed:** I'll take over from you. Thank you Noha, and thanks to CI Capital for hosting this quarter's conference call. Earlier today, we released our financial and operational results for the first quarter of 2025. Kindly note that the results presentation is available on our IR website, [ir.te.eg](http://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, our Corporate Strategy Senior Director, Ms. Hind Ebeid, 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.

Thank you everyone for bearing with me. Without 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.

As we progress with 2025, I'm pleased to report our first quarter results confirm our strong growth trajectory. We're optimistic about maintaining this momentum, supported by a favorable economic outlook in Egypt, with stable exchange rates, inflation under control, and falling interest rates, creating the right conditions that support our continued growth.

To start the year, total revenue grew by an impressive 42% YoY to reach EGP 25 billion. This was driven by strong performances across both our Retail and Wholesale segments. Our EBITDA increased by 49% YoY, with margins reaching a robust 44%, a result of our solid top-line growth complemented by continuous cost optimization efforts. Net profit increased by 20% YoY to reach EGP 4.6 billion.

On the Retail side, our Home & Consumer unit increased 45% following the 30% price adjustment in December. We're also seeing steady customer growth across all services, with Mobile customers up 10%, Fixed Broadband growing by 8%, and Fixed Voice increasing by 4%. In addition, our Enterprise unit delivered a 20% YoY rise. On the wholesale side,

Domestic, ICA, and IC&N business units expanded by 56%, 64%, and 18% YoY, respectively, further demonstrating the strength of this segment.

As Egypt's largest telecom infrastructure provider and a key regional player in the global connectivity landscape, we are now reaping the rewards of a decade of responsible, strategic investments. These efforts have uniquely positioned us to unlock the value of our extensive assets and capitalize on the accelerating demand for connectivity, both locally and globally. This is clearly reflected in our strong growth momentum and the continued trust of our local and international partners.

In the face of a dynamic macroeconomic landscape and the pressing need for sustained long-term investment, we remain focused on optimizing our capital structure, enhancing profitability, and strengthening cash flow generation. These priorities have translated into a strong set of Q1 results, reflecting the positive impact of the strategic adjustments we made to our business plan toward the end of 2023.

Guided by a clear strategic vision that aligns with the Sustainable Development Goals and integrates leading ESG practices and reinforced by strong partnerships and a highly committed team, we are well-positioned to deliver long-term, sustainable value to our stakeholders. By expanding connectivity to underserved areas, fostering innovation in digital infrastructure, and promoting affordable access to communication services, we contribute directly to SDG goals such as resilient infrastructure, decent work & economic growth, and sustainable cities and communities. As a key enabler of digital transformation, we are empowering individuals, businesses, and communities to thrive in an increasingly interconnected world.

Overall, our results underscore our ability to strike the optimal balance between future-focused investments and delivering strong, sustainable financial performance. Our commitment to operational efficiency and financial resilience gives us confidence in maintaining this positive momentum and unlocking further growth in the quarters ahead.

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.

**Wael Hanafy:** Thank you, Mr. Nasr. I will now walk you through our Q1 2025 financial highlights.

We delivered strong financial results across all key metrics. Top-line witnessed 42% YoY growth, driven by a 40% YoY increase in Retail revenue and a 44% YoY increase in Wholesale revenue.

Our Home & Consumer business unit grew by an impressive 45% YoY. Data was the key growth driver, marking a 46% YoY increase, contributing 44% to the total revenue growth. This growth is attributed to price increases across the Retail segment in 2024, as well as a steadily expanding customer base and increased data consumption.

In the Wholesale segment, performance was primarily attributed to IDD revenue growth, which increased by 72% YoY and contributed 19% to total revenue growth. This growth was primarily fueled by foreign currency appreciation and supported by rising international incoming call traffic by 22% YoY.

We achieved 49% EBITDA growth with margins expanding to 44%, up from 42% last year, demonstrating our ability to maintain operational efficiency even as we scale.

Our investment income from VFE grew significantly, increasing 3.6x YoY to reach EGP 3.2 billion, reflecting its strong operational performance driven primarily by the price adjustments. However, if we normalize the devaluation effect amounting to EGP 1 billion, the increase will be 1.5 times.

While interest expense rose by 73%, largely due to FX impacts on our dollar-denominated debt, and the increase in the effective interest rate to 16%, we still delivered a net profit of EGP 4.6 billion, marking a 20% YoY increase. Excluding EGP 0.7 billion FX loss in Q1 2025 and EGP 0.2bn FX gain in Q1 2024, normalized net profit reached EGP 5.2 billion, reflecting a 39% YoY increase and a solid 21% margin.

Turning to free cash flow, excluding EGP 0.2bn spent on licenses, it stood at EGP 3.8bn, representing a 35% FCFF/EBITDA ratio. This aligns with our quarterly budget and demonstrates our steady progress toward achieving our full-year target.

These results clearly demonstrate our financial discipline and ability to deliver strong performance across all key metrics. We remain focused on maintaining this financial strength, generating robust cash flows, and creating sustainable long-term value for our shareholders.

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.

**Noha Baraka:** Thank you very much for the brief presentation. I think 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 could use the Q&A box to type in your questions. We'll pause for a moment to allow questions to come in.

There is a question in the Q&A box: *Is the Vodafone Egypt dividend occurring every quarter? And what's the guidance for 2025?*

**Wael Hanafy:** Okay, if we're talking about the Vodafone dividend, yes, it's recurring and increasing as well year over year because we now have a solid dividend policy with Vodafone. It's 60% of the free cash flow. So as long as the free cash flow is increasing, the dividend is increasing as well. The amount that we expect to get this year is around EGP 2.5 billion, to be collected at the beginning of Q3, when it's due to be distributed.

For the guidance for 2025, if we're talking about the revenue growth, it will be in the low 20s; EBITDA margins, will be in the high 30s; CapEx/Sales (in service) will be low 20s, and FCFF/EBITDA will be in the early 40s.

**Noha Baraka:** *Are there any plans to acquire a new spectrum if offered in the near term, and what's the expected cost for that?*

**Mohamed Nasr:** Okay, so normally, when we receive updates on spectrum availability in the market, we first look into which spectrum is offered because some spectrums add value to our customer base, while others might not add the same value. That's why we carefully analyse which spectrum is available.

We understand there's a discussion in the market about the availability of additional spectrum in different bands. We are looking into that and carefully analysing the impact on our CapEx and, at the same time, on our revenue streams based on our business plan. Once we have a solid update on spectrum availability, in line with our technical, commercial, and financial analysis, we will decide accordingly.

**Noha Baraka:** *Is there any update on the tower sale?*

**Mohamed Nasr:** Yes, we have an update. We have interested parties looking into the tower sale. So far, we are in discussions regarding the valuation, but we don't yet see the offered

value as accretive for us. However, we are in continuous discussions with potential buyers to enhance their offer, so we can possibly move forward with the transaction.

The tower transaction is a sale-and-leaseback arrangement, which means it's not only about selling the towers, but there's another side of the equation: the leaseback terms. The leaseback impacts our future OPEX for using the same towers, so it's a very important consideration when evaluating the sales value and the associated OPEX.

**Noha Baraka:** *What's the total cash CapEx for the fiscal year and the following in service and license?*

**Wael Hanafy:** The total cash CapEx expected for this year is in the range of EGP 20 to EGP 22 billion. For the coming years, it will start to decrease by at least EGP 2 billion per year.

But you have to bear in mind that this is based on our calculations and expectations for the FX rate. For this year, we anticipate a 10% increase in the FX rate, and from 2026 onward, we anticipate a 5% increase YoY.

So, with the percentage increase we expect in the FX rate, the total CapEx spending will remain in the range of EGP 20 to 22 billion for 2025. For 2026, it will decrease. However, as a percentage of sales, we are trying to maintain the cash CapEx-to-sales in the early 20s, as we believe 20% is a reasonable range to maintain our operations while maintaining a decent level of CapEx spend.

**Noha Baraka:** *Do you see the margins achieved in the first quarter as sustainable throughout the rest of the year?*

**Wael Hanafy:** Yes, we are committed to the guidance we presented earlier this year. We hope the macro dynamics remain the same as in the first quarter. If that is the case, which we believe is likely, then we can definitely reach our target by the end of this year.

**Noha Baraka:** *What's the plan for the 5G network rollout?*

**Mohamed Nasr:** We are waiting for confirmation from the regulator on the timeline for launching the 5G network. Technically, we are ready at the locations we have identified as commercially valuable. We based this decision on areas likely to create high-value customers, who have handsets compatible with 5G, so they can benefit from the network.

All operators are focused on delivering the 5G network in areas that are likely to have customers with compatible handsets and, at the same time, generate the most value. We have already prepared our network, and it is 5G-ready at the sites that need to be activated. Once we receive confirmation from the regulator, we will make those sites online for our customers.

**Noha Baraka:** As a reminder, if you have any questions, please feel free to use the raise hand button on the right-hand side. Alternatively, you can type your question in the Q&A box. We will pause for a moment.

*Is there any update on the data centers deal?*

**Mohamed Nasr:** We are now in the due diligence phase with multiple potential buyers. We have received non-binding offers from more than four parties. They are currently reviewing the data room, and afterward, they will provide binding offers based on their due diligence.

Once we receive these offers, we will decide on the sale based on the committed offers. Accordingly, we will then determine the percentage to offload or whether to go for a capital increase. This decision will depend on the valuation received.

**Noha Baraka:** *Can you discuss how you expect the net debt balance to reduce over the coming years? And another question: The domestic wholesale revenue is up 56%. Is it a one-off, or is it a reasonable rate for the rest of the year?*

**Wael Hanafy:** Let me start with the first question about net debt. Yes, we have targeted KPIs in place to reduce net debt over the coming years. This will come from two areas:

1. Growing cash flow from our operating businesses, where we have already achieved significant success, especially after the price adjustments implemented in 2024.
2. Optimizing CapEx expenditures.

This is why all cash generated from operating activities, whether in Egyptian pounds or US dollars, will be directed toward reducing debt. As per our plan—and we will achieve this—we aim to return to the net cash position in around four years.

Regarding domestic wholesale revenue, it is not a one-off. The increase is a result of the enhancements made to agreements with two of the largest mobile operators in Egypt, Vodafone and Orange, for the domestic transmission services we lease to them. As a result of these enhanced agreements, revenue has been increasing.

Additionally, the price adjustments we implemented on the retail side, and the fact that we provide bitstream services, have increased the prices of the services we lease to them. These price increases are sustainable and took effect in Q1 2024. To clarify, this is recurring revenue that will be maintained moving forward.

**Noha Baraka:** *Are there any updates regarding Vodafone's stake sale?*

**Mohamed Nasr:** We have not received any new updates or requests for acquisition. The status remains the same as before.

**Noha Baraka:** *How much is the non-binding offer on the data centers sale?*

**Mohamed Nasr:** Since we now have multiple bidders, it's difficult to share. However, the range is between USD 200–240 million. This valuation is for both RDH 1 and RDH 2.

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

**Mohamed Nasr:** I'd like to thank you all for joining the call today and for the insightful questions, which covered most of the major transactions we are handling and our projections for the year.

We want to assure our shareholders and partners of our commitment to continue on delivering the best value possible from their investment in the company. We will keep working on enhancing our business lines by generating more revenue with higher margins, while closely monitoring our CapEx spend to mitigate any unexpected effects from the challenging macroeconomic environment we operate in.

We remain aware of the macroeconomic challenges, but we remain focused on growth. It is a difficult balance, but we promise our shareholders that we will continue to deliver on our commitments.

I'd like to thank you all, and we look forward to meeting you next quarter with even better results.

**Noha Baraka:** On behalf of CI Capital, I would like to thank the Telecom Egypt management team for their time and comprehensive responses today. Thank you everyone for dialling in.