

Telecom Egypt Q1 2026 Earnings Call Transcript

Telecom Egypt ([ETEL.CA](#); [TEEG.LN](#)) Q1 2026 earnings call dated 21 May 2026.

Call Coordinator:

Sarah Boutros – Good morning and good afternoon, everyone. Thank you all for joining. We have the pleasure to be hosting Telecom Egypt's Q1 2026 results call.

Corporate Participants:

Tamer El Mahdi – *Managing Director and Chief Executive Officer*

Wael Hanafy – *Chief Financial Officer*

Hind Ebeid – *Corporate Strategy Senior Director*

Ahmed El Gharabawy – *Investment Director*

Ehab Shoeib – *Investor Relations Manager*

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

Mr. Ehab, please go ahead.

Ehab Shoaieb: Thank you Sarah, and thanks to CI Capital for hosting this quarter's conference call. Earlier today, we released our financial and operational results for the three month period ended 31 March 2026. 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. Tamer El Mahdi, 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.

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 further delay, I will now hand over the call to Mr. Tamer El Mahdi.

Tamer El Mahdi: Good afternoon, everyone, and thank you for joining us on this call.

Q1 2026 unfolded against a particularly complex operating backdrop, with geopolitical developments and challenging market conditions across the Middle East and globally. These tensions — including their spillover effects on regional trade and connectivity flows —

introduced renewed volatility. At the same time, Egypt's macroeconomic environment continued along its stabilization path following the March 2024 FX liberalization, though the EGP was notably more volatile versus the US Dollar than in prior periods.

Against this backdrop, Telecom Egypt continued to deliver solid operational and financial performance. Sustained revenue growth, coupled with stronger EBITDA growth — reflecting resilient demand for our connectivity and digital infrastructure services, as well as the strength of its diversified business portfolio.

Reported net profit absorbed a sizeable non-cash FX charge on our foreign-currency liabilities. On an underlying basis — excluding that currency effect — profitability was materially higher. This is a currency accounting impact, not a change in how the business performs. Wael will take you through the detail shortly.

Moving to our retail business. Our customer base continued to grow across the board, with our Mobile, Fixed Data, and Fixed Voice subscriber bases expanding by 7%, 8%, and 7% YoY, respectively. ARPU trends remained supportive, with continued strength in both voice and data as monetization and tariff adjustments flowed through.

As further evidence of our strong execution, I'm particularly proud to share that in February 2026, independent network analytics firm Opensignal recognized WE as Egypt's Best mobile network. WE received eight awards, including seven outright wins.

Turning to wholesale, our international cables and wholesale business continued to play a critical role in global connectivity during the quarter. Egypt's strategic position — anchoring over 90% of data traffic between Europe, Asia, and Africa — combined with heightened demand for secure and diversified routing in the current geopolitical environment, has further reinforced the structural relevance of our infrastructure. Work on our key cable projects is advancing, though we're monitoring regional conditions that could affect timing.

Building on this momentum, we are advancing our long-term network roadmap. We are leveraging the 2026–2030 National Spectrum Strategy to expand capacity and support the scaling of next-generation services, including our ongoing 5G rollout. Our fiber footprint continues to expand, and our investments in data center and cloud infrastructure position us well to capture rising enterprise and hyperscaler demand.

Complementing these network investments, the regulatory environment also moved in a supportive direction this quarter. The recently announced NTRA decision permits fixed broadband and mobile price adjustments of 13 to 15%. We expect this to support revenue in the coming quarters; at the same time, we are mindful of affordability, will monitor demand elasticity closely as the adjustments take effect, and will continue to emphasize the value we deliver to customers.

While geopolitical developments warrant continued vigilance, the structural demand drivers for our business — rising data consumption, accelerating digital transformation across enterprise and government, and Egypt's critical role as a global connectivity hub — remain fully intact.

With that, we expect to exceed our FY2026 guidance of high-single-digit revenue growth, while maintaining an EBITDA margin in the low forties, an in-service Capex-to-sales ratio in the low twenties, and a positive FCFF-to-EBITDA ratio in the mid-thirties, subject to continued macroeconomic and FX stability. Our first-quarter metrics are running ahead of these full-year

ranges, reflecting in part the phasing of in-service capital expenditure toward the second half and a deliberately prudent stance given ongoing macroeconomic and FX uncertainty; we will revisit guidance as visibility improves.

Subsequent to quarter-end, and consistent with our commitment to disciplined capital allocation, we distributed a cash dividend of EGP 1.50 per share for FY2025 on 30 April 2026.

Although external market dynamics continued to impact businesses and financial results regionally and globally, Telecom Egypt's underlying business fundamentals remain strong. The company is encouraged by the momentum achieved during the first quarter and remains confident in its ability to accelerate growth and deliver strong performance throughout the rest of the year.

As we progress through 2026, our priorities remain clear: enhancing the customer experience across both consumer and enterprise segments, and executing with discipline to deliver long-term value for our shareholders, employees, and the communities we serve.

With that, I'll now hand over to Wael, our CFO, to take you through the financials. Wael, over to you.

Wael Hanafy: Thank you, Mr. Tamer. Let me now take you through our Q1 2026 performance in more detail.

Starting with revenues, we delivered EGP 28.2 billion, up by 14% YoY, driven by a 20% increase in Retail revenue and a 5% increase in Wholesale revenue.

Within the Retail segment, Data remained the key growth engine, increasing 23% YoY and accounting for 69% of the total revenue growth for the quarter. This was supported by the ongoing expansion of the customer base and higher data consumption levels. Following the recent reorganization of our retail structure, we are sharpening our focus on the Enterprise segment, expanding tailored solutions for SME and SOHO customers and scaling our fixed-mobile convergence (FMC) and digital services.

Turning to Wholesale: Domestic Wholesale grew 17% YoY to EGP 3.2 billion, supported by an 18% YoY increase in Domestic Infrastructure Services revenue. ICA grew 24% YoY to EGP 5.5 billion, driven by higher International Incoming Calls (+27% YoY to EGP 4.1 billion), which benefited from the favorable effect of the EGP/USD rate on USD-denominated revenue, alongside a 22% YoY rise in International Incoming Calls traffic. IC&N revenue declined 28% YoY, mainly reflecting the cyclical nature of cable projects, which are expected to recover later in the year as pipeline projects are delivered.

EBITDA reached EGP 12.6 billion, up 17% YoY, with margins expanding 104 basis points to 45%, up from 44% last year — demonstrating healthy top-line growth coupled with continued operational efficiency, despite macroeconomic and inflationary headwinds. Operating profit grew 24% YoY, underpinned by resilient operations.

This healthy organic performance was delivered through sustained commercial momentum, disciplined cost management, and a focused approach to capital allocation. In-service Capex amounted to EGP 1.3 billion representing 5% of sales, while Cash Capex (including license) reached EGP 8.8 billion, representing 31% of sales.

We generated free cash flow of EGP 6.4 billion up from EGP 3.5 billion YoY, driven by stronger cash generation and improved working-capital and capex efficiency. These results reflect our continued commitment to balancing growth investment with cash generation and prudent balance sheet management.

Our share of profit from our associate, Vodafone Egypt, income increased 17% YoY to EGP 3.7 billion, driven by sustained organic growth.

A brief word on the FX backdrop, which materially shaped this quarter's reported net profit. During the quarter, the EGP traded between EGP 46.85 and EGP 54.55 versus the US Dollar — notably more volatile than in prior periods. Our dollarized revenue streams provide a partial natural hedge against currency movements; however, because our USD-linked liabilities exceed that offset, the net revaluation resulted in the non-cash FX loss recorded this quarter. We remain focused on actively managing our currency exposure and optimizing our capital structure.

Reported net profit was EGP 3.6 billion, with a 13% net margin. The decline reflected a EGP 5.3 billion non-cash FX loss and a 15% increase in depreciation and amortisation, partly offset by a 25% reduction in interest expense. Excluding the non-cash FX loss, net profit would have reached c. EGP 5.9 billion, up nearly 27% YoY.

Interest expense decreased 25% YoY on partial debt repayment, with the effective interest rate at 14% in Q1 2026 versus 16% in Q1 2025.

Stepping back: this was an operationally strong quarter. The reported net profit reflects a sizeable non-cash FX charge, but the underlying business — revenue, margins, and cash generation — performed well, and our full-year guidance is unchanged. With that, we're happy to take your questions.

Sarah Boutros: Thank you Mr Tamer and Mr. Wael for your presentation. We can now open the floor for questions. If you have a question, please use the "raise hand" button on the right-hand side of the screen and I will unmute your line. Alternatively, you may type your question into the Q&A box.

We already have a couple of questions in the Q&A box. *The first asks about the 2026 guidance: Could you please repeat it?*

Wael Hanafy: For revenue, the guidance reported at the beginning of this year was high single digit growth, but we believe we are going to beat this guidance and may reach the mid double-digits. For the EBITDA margin, the guidance is low 40s. For in-service capex to sales, it is low 20s. For free cash flow to EBITDA, it is mid-30s.

Sarah Boutros: Perfect, thank you for this. Another question is on Q2 numbers. *Do you expect Q2 numbers to be stronger than this quarter, supported by the recent price increases?*

Wael Hanafy: Yes. Retail will definitely be stronger, as we now have room — a 15% increase in mobile, which is a direct price up. Also, in fixed broadband, it is 13%. So we are confident, and we believe the Q2 number for this year will be much higher than what we achieved in Q1.

Sarah Boutros: Thank you. Another question on the FX losses. *Could you please explain the reason behind the FX losses?*

Wael Hanafy: Yes. As long as we have a liability in US dollar terms — long-term loans — under accounting standards we need to revalue it at the closing rate of the US dollar against the EGP. Since there was around a 10% increase of the US dollar against the Egyptian pound, what we did is simply an accounting treatment, revaluing the balances that we have. But it is a non-cash transaction, so there is no effect on our cash flow at all, since we are going to service this kind of liability from our own resources.

So at the end of the day, it is purely an accounting treatment. When we normalize it, net profit reaches EGP 5.9 billion, an increase of around 17% YoY. Because, as I told you, it is just an accounting treatment with no effect on cash. That is the reason behind why these FX losses were incurred in this quarter.

If, in the coming quarters, the Egyptian pound strengthens again against the US dollar, we will reflect it back and do a reversal accounting treatment in the quarters going forward.

Sarah Boutros: Thank you, this is very clear. Another question in the Q&A box: *Why was there a sharp decrease this quarter in the IC&N business, other than cyclical?*

Wael Hanafy: No, there is no other reason — it is only cyclical. The nature of this business and its revenue recognition is based on the delivery of the project. When we finish and deliver the project, we recognize the revenue. Per our expectations, part of the project revenue recorded this year will be in Q2 and the remainder in Q4 — not in Q1. So this is just the nature of the business, a cyclical fluctuation from one quarter to another, but we are keen and focused on how to achieve our number in this regard.

Sarah Boutros: Okay, thank you for this. *Could you please also share how much of your revenue is FX-based?*

Wael Hanafy: Around one-third. One-third of our top line is in US dollars — we are talking about USD 650 to 700 million per year. We have two business units: one is International Cables, and the other is International Carriers. All revenues of those two business units are denominated in US dollars, which is around one-third of our top line.

Sarah Boutros: Perfect, thank you so much. As a reminder, if you have any questions, please use the raise hand button on the right-hand side of the screen, and I will unmute your line, or you can also use the Q&A box to type in your questions.

I'll pause for a moment to make sure there are no further questions.

Any news about the sale of RDH?

Wael Hanafy: We have no update on this. The situation is still the same. If we have news, we will definitely disclose it. But for now, we have no updates.

Sarah Boutros: Thank you. *Could you also provide guidance on the dividend policy?*

Wael Hanafy: We do not have a dividend policy approved by the Board and the OGM, but the Board is now exploring this kind of initiative.

It may be materialized next year. For now, the dividend is not a formal policy, but rather an understanding between management and the Board to keep the dividend steady and to increase it slightly YoY. We are balancing between the investment we put into the network and the dividend we pay to our shareholders, and we try to grow it at a decent rate YoY. But we do not have a policy approved by the Board and OGM.

Sarah Boutros: Okay, perfect, that is clear. *Could you also shed some light on the payment plan for the new spectrum for Telecom Egypt and Vodafone?*

Wael Hanafy: Okay. For Vodafone, I will not speak on their behalf, as I don't have the right to do so. But for the market as a whole, payment will be on an installment basis from this year, 2026, through 2030.

For Telecom Egypt in particular, our agreement with the regulatory body is that the license covers spectrum activated in 2032, with installments starting from 2030. However, we have the right to take the spectrum earlier. So we are now exploring and studying whether we need to take the spectrum earlier. We may do so at the beginning of next year, 2027, which could lead us to pay a small amount in 2027 covering the additional years for which we take the spectrum earlier. But our payment plan is still the same — the remainder will be paid starting from 2030.

Sarah Boutros: Perfect, thank you for this. *What is the current USD/EGP debt split, and what is the effective interest rate on each portion, please?*

Wael Hanafy: Yes, the split is more or less 50/50, but after the revaluation of the debt at the end of Q1, it is 53% for the US dollar and the remaining in Egyptian pound. Normally we have been running at 50/50 for the last two to three quarters, and for now.

The effective interest rate on both combined is around 14%. On the Egyptian portion it is around 22%, and on the dollar portion it is around 8%, or slightly higher than 8%. But the total blended interest rate is around 14%.

Sarah Boutros: Okay, a related question also in the Q&A box is *on the outlook on interest rates going forward, and how do you expect this to impact the business?*

Wael Hanafy: When we did our calculations for the budget for this year, it was based on the outlook that there would be more interest rate cuts. But I think with the economic headwinds we are facing right now, rates may stabilize. We are okay if rates remain the same, with no more cuts, because. If we are talking about the Egyptian interest rate, the mid-corridor is now around 19.5%, versus 28% one year before. So if it stays at this level, it will be good for Telecom Egypt.

Also, SOFR is declining — around 1% this quarter compared to the same quarter last year. So if the interest rate stays the same, we are good. We do not believe there will be more cuts, especially in the near future, but if rates remain unchanged, it will also be good for Telecom Egypt, and we can absorb that even with no further cuts.

Sarah Boutros: Okay, very clear, thank you. Another question, please: *Could you clarify how the adjusted net income, excluding non-cash FX charges, comes to EGP 5.9 billion?*

Wael Hanafy: Okay, let me explain — it is a slightly complicated calculation. The total FX loss recorded this quarter is EGP 5.9 billion. If we added the full amount back, net of tax, net profit would reach around EGP 8 billion or more. But since I am normalizing it to compare with Q1 2025, I have to apply the FX rate that prevailed in that quarter — which was around EGP 50.5 per US dollar.

So the amount I add back is not the full EGP 5.9 billion of FX losses — it is around 50% of it, roughly EGP 2.5 billion. This allows me to do an apples-to-apples comparison. If I had not done that, it would have flattered this quarter at the expense of the period I am comparing against.

So it is just a calculation methodology. Typically, I have to use the same standard in order to convey the correct message: what net profit would have been if I were comparing on the same terms and conditions as Q1 of last year.

Sarah Boutros: Very clear, thank you. As a final reminder, if you have any questions, please feel free to use the raise hand button on the right-hand side of the screen. Or, alternatively, you can use the Q&A box to type in your questions.

We have another question on margins: *Do you see the FY25 and Q1 26 margin level as sustainable?*

Wael Hanafy: For the EBITDA margin — yes, we believe it is sustainable. The guidance was low 40s, but it will definitely be higher than that, and even after the price up, we will try to keep the EBITDA margin at 45% for the next quarter and for the full year.

Sarah Boutros: Perfect. I see a final question, if I may: *What could be the impact of EGP devaluation on the guided capex?*

Wael Hanafy: As long as we have part of our revenues and receivables in US dollars, we can manage, even if there is a higher cash capex bill to pay, because 90% of our capex is in US dollar terms or indexed to the US dollar. So it is not a linear effect. If there is a 10% increase in the US dollar, it does not translate into a 10% increase in our capex — maybe only around 8%, meaning around 80% of the FX move flows through to our capex in EGP terms.

Sarah Boutros: Perfect, thank you for this. *Any closing remarks from the management side?*

Wael Hanafy: No, thank you. We are fine. Well done.

Sarah Boutros: Thank you so much. On behalf of CI Capital, I would like to thank Telecom Egypt's management for their time today, and thank everyone for dialing in. Enjoy the rest of the day.

Thank you.

Wael Hanafy: Thank you.