Telecom Egypt Q3 2026 Earnings Call Transcript

Telecom Egypt (ETEL.CA; TEEG.LN) Q3 2026 earnings call dated 12 November 2026

Call Coordinator:

Mariam Wael – Good morning and good afternoon everyone. Thank you all for joining, and welcome to Telecom Egypt's Q3 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 Shoaieb – *Investor Relations Manager*

I would like to remind you all that if you have any questions, please type them in the Q&A box at the bottom of your Zoom screen, and I will read them out to management, or raise your hand to speak directly with management. Without further delay, I will now hand over the call to Mr. Ehab. The floor is all yours.

Ehab Shoaieb: Thank you Mariam, and thanks to Ahly Pharos for hosting this quarter's conference call. Earlier today, we released our financial and operational results for the first nine months of 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: Thank you Ehab. Good afternoon, everyone.

Over the first nine months of 2026, we sustained our momentum, delivering further growth in revenue and earnings in a challenging macroeconomic and regional environment, while continuing to invest in the future of Egypt's digital infrastructure. Today, I want to focus on our strategy and the progress we are making. I will close with the headline numbers before handing over to our CFO for the details.

Our strategy

Last quarter, I outlined the five-year business plan, aligned with the strategy our Board approved at the end of 2025. It rests on two complementary priorities: unlocking the full revenue potential of our established businesses while cultivating new sources of revenue and growth. Today, I want to update you on the progress we have made since then.

As I described then, our aim is to evolve from a traditional telecom operator into a broader digital infrastructure and technology services group, using our infrastructure, customer relationships and capabilities to broaden our revenue base and capture a greater share of the expanding digital economy. We are already seeing early progress. Let me take each part in turn.

Unlocking the Potential of our Established Businesses

Consumer: Fiber and 5G

In our consumer business, fiber is our priority. Under our 2026–2030 plan, we are replacing copper with Fiber-to-the-Home (FTTH). Our target is for fiber to reach around **50% of connected units by 2030, with full fiber coverage before 2035**. To support this, we plan to invest around USD 150 million a year over five years to upgrade and modernize our fixed and mobile networks. To be clear, this is not additional spending. It is part of our existing capex plan, which we set at around 25% of revenue at the start of the year and expect to keep at similar levels over the next five years.

The case for fiber is clear. Households rely more than ever on their home connections. Data use keeps rising, and fiber gives us the capacity and quality to keep pace. It also lets us grow usage and move customers to high-speed packages, supporting organic growth.

On the mobile side, we are focused on expanding the reach and use of 5G. Beyond better mobile service, 5G gives us the technical base to launch new digital services and offer integrated solutions to consumers, businesses and institutions. The recent spectrum release gives us more capacity to improve the customer experience.

We are also testing what comes next: together with NTRA and Huawei, we ran the **first trial in Egypt and Africa of mobile services on the 6 GHz band**, reaching a speed of 1.7 Gbps per customer.

Wholesale and International: Egypt's Network of Networks

In our wholesale and international businesses, our strength lies in being Telecom Egypt's network of networks. We operate the domestic backbone and, through our subsea cables and landing stations, play a major international transit role. Egypt connects to the world, and the world connects through Egypt. As cloud and AI drive global data traffic, and as customers look for secure and diverse routes, that role becomes even more valuable.

The quality of our network is being recognized. **Ookla named us North Africa's fastest fiber broadband provider for the first half of 2026**, based on real user tests, and we won **the UBBF Award for Best Application in FTTH Network Implementation.**

Cultivating New Sources of Growth

Data centers, our seventh strategic revenue stream, are one of our main long-term growth drivers as cloud services and AI reshape the digital economy. As the Board confirmed in July, this remains a core business for the Group. Housing it in a **dedicated, wholly-owned company** gives it the focus and flexibility to expand quickly and form the right partnerships.

We are scaling capacity steadily. Our first facility provides 2.4 MW and our second 4.6 MW, giving us a total capacity of 7.0 MW. As previously disclosed, we plan to build two further phases within the Smart Village Availability Zone, taking the total capacity to **at least 17.0 MW of IT load.**

We are investing in these phases as demand materializes, prioritizing projects with sustainable returns, so that growth stays aligned with disciplined capital allocation.

The economics are attractive. Data Centers are capital intensive, but once utilized, they generate high margins and long-term, recurring revenue. Demand is strong and growing. Cloud and AI workloads need local hosting capacity, and the government has plans to support the sector with dedicated investment packages and to make up to 1 GW of power available for data center projects; this is something the government is working on and currently studying. Our advantage is that we **combine hosting with Egypt's backbone and international connectivity, a combination few players can offer.**

Beyond Connectivity

Beyond data centers, we see clear opportunity in **cloud, cybersecurity, IoT and wider ICT services for businesses.** These services build on assets we already own and carry higher added value and stronger margins, so they help diversify our income and make our growth more sustainable over the long term.

Investor Recognition – Capital Markets

Our performance is being recognized by investors. Following FTSE Russell's September review, we were upgraded to **the Mid Cap segment and included in the FTSE Emerging Index,** effective 21 September, as one of only three Egyptian companies in the index. This broadens our visibility among international institutional investors. Also, MSCI announced today that Telecom Egypt will be included in its Global Standard Index, effective 30 November 2026.

Priorities

Our implementation priorities remain clear: **prudent investment, operational excellence, improved capital allocation, enhanced cash flow, and profitable, sustainable growth** that creates lasting value for our shareholders.

9M 2026 Highlights

Our results reflect early progress on this strategy, and the pattern we described at the half year has continued: revenue growth translated into **faster EBITDA growth, strong profitability and higher cash generation.**

For the first nine months:

- Revenue grew 19% to EGP 93.6 billion, an increase of around EGP 15 billion YoY.

- EBITDA grew 24%, faster than revenue, to EGP 43.1 billion, with the margin rising to 46% from 44% a year earlier.
- Net profit rose 44% to EGP 24.4 billion, lifting our net margin to 26% from 22% a year earlier.
- Free Cash Flow to the Firm (FCFF), more than doubled to EGP 28.0 billion from EGP 12.1 billion a year earlier, equivalent to 65% of EBITDA, while leverage fell to 0.8x.

Growth was broad-based across the portfolio:

- Home & Consumer revenue up 28%
- Enterprise up 24%
- Domestic Wholesale up 13%, and
- ICA up 18%.

IC&N revenue was 6% lower, reflecting the cyclical timing of large subsea cable deals, which naturally vary from period to period.

We are sustaining our momentum today while shaping the future of Egypt's digital infrastructure, and we enter the final quarter with confidence. With that, I will hand over to our CFO, Mr. Wael Hanafy, who will take you through the third quarter and nine months in detail.

Wael Hanafy: Thank you Mr. Tamer, and good afternoon, everyone.

Building on our CEO's overview, I'll start with a closer look at our nine-month results and then turn to the third quarter.

9M Results

Let me begin with revenue. For the first nine months, revenue grew 19% to EGP 93.6 billion, an increase of around EGP 15.2 billion YoY.

Looking at the two sides of our business, Retail revenue grew 27% to EGP 57.6 billion, mainly due to Data revenue, which rose 30%, driven by an expanding customer base, now at 11.7 million fixed broadband subscribers, and the NTRA-approved tariff adjustments introduced earlier in the year. Fixed data ARPU reached EGP 367, compared with EGP 307 a year earlier.

Meanwhile, Wholesale revenue grew 9% to EGP 35.9 billion, mainly due to International Incoming Calls, which rose 25%, supported by a 16% increase in traffic, FX movements and sustained demand for voice connectivity.

Moving now to profitability, EBITDA increased 24% YoY, with the margin improving to 46% from 44% in 9M 2025, as revenue growth outpaced cost increases, supported by focused cost management despite inflation.

Our stake in VFE Egypt also made a strong contribution. VFE income rose 33% YoY to EGP 14.4 billion, mainly on the NTRA-approved tariff adjustments and operational efficiency.

Bringing this together at the bottom line, net profit increased 44% to EGP 24.4 billion, driven by strong top-line growth, a 33% increase in VFE income and a 29% decline in interest expense. This more than offset higher non-cash FX losses and a 19% increase in D&A.

Turning to investment, in-service capex amounted to EGP 8.6 billion, or 9% of revenue, while cash capex reached EGP 26.3 billion, or 28% of revenue.

On cash generation, FCFF reached EGP 28.0 billion, implying an FCFF-to-EBITDA ratio of 65%.

This also strengthened our balance sheet further, with net debt to annualized EBITDA improving to 0.8x from 1.5x a year earlier.

Third-Quarter Results

Turning now to our third-quarter results, revenue rose 23% YoY to EGP 34 billion, driven by a 35% YoY increase in Retail revenue and an 8% YoY increase in Wholesale revenue.

Looking at the drivers, Retail revenue was led by a 37% YoY increase in Data revenue, which accounted for 67% of total revenue growth, supported by an expanding customer base, growth in FTTH penetration and NTRA-approved price increases.

On the wholesale side, growth was driven mainly by a EGP 659mn increase in Capacity Sales revenue, followed by a EGP 421mn increase in International Incoming Calls revenue.

This top-line momentum carried through to profitability. EBITDA grew 31% YoY, with the margin expanding to 48% in Q3 2026 from 45% in Q3 2025.

At the bottom line, net profit rose 39% YoY to EGP 9.0 billion, a 26% margin, reflecting strong operational performance, efficient cost optimization and solid income from VFE.

Outlook

To conclude, based on our 9M performance, **we are tracking ahead of our full-year 2026 guidance**.

For 2027, we expect revenue growth in the low double digits, an EBITDA margin in the low to mid-40s, in-service capex-to-sales ratio in the mid-20s and a positive FCFF-to-EBITDA ratio in the low to mid-40s.

With that, we'll now open the line for questions.

Mariam Wael: Thank you. As a reminder, if you have any questions, please type them in the Q&A box at the bottom of your Zoom screen, or raise your hand to speak directly with management. We will pause for a moment to allow participants to type in their questions.

While we wait for questions from participants, I would like to start with a few from my side: *On FTTH, how are you planning to monetize the investment, and how will this reflect on revenues? And how much is allocated over the respective timeline?*

Wael Hanafy: Let me start with the budget allocation. As we said earlier this year, around USD 100 million will be allocated to the fiberization projects over the next five years. With that, we are aiming to fiberize around 50% of total households in Egypt by 2030, and after that we will work to fiberize 100% of Egyptian households by 2035.

As for monetization, the investment pays off in two ways. First, customers use more data once they move to fiber: when we migrate a customer from copper to FTTH, their data usage increases by around 15% almost immediately. Second, it makes our existing assets go further. The MSAN cabinets that currently serve customers over copper are redeployed to areas that have not yet been fiberized, which reduces the capex needed there. Based on our calculations, **the IRR on these projects exceeds 35%,** which is why we decided to accelerate the fiberization program.

Mariam Wael: Thank you. Speaking about capex, *cash capex stood at 28.1% of revenue in 9M 2026. How much remains to be paid in Q4 2026, and what will the cash capex-to-revenue ratio be by year-end?*

Wael Hanafy: Cash capex fluctuates from quarter to quarter because a large part of our capex is vendor-financed, so the timing of payments depends on our agreements and payment schedules with our major vendors. As a result, payments are higher in some quarters than in others. The remaining cash capex for the year is relatively limited, and we expect the full-year cash capex-to-revenue ratio to land in the low 30s. We expect a similar pattern in 2027.

Mariam Wael: Very clear, thank you. I would like to remind everyone to raise your hand to speak directly with management or type your questions in the Q&A box. *Regarding tariff increases, should we expect the NTRA to apply any tariff increases in 2027?*

Wael Hanafy: From time to time, we request tariff adjustments to offset part of the impact of inflation, particularly as we are expected to keep improving our services. For now, however, we have no visibility on whether a price increase will take place in early 2027. We have therefore based our 2027 assumptions on normal revenue growth, without any benefit from a price adjustment. That does not mean we have stopped asking; we continue to engage with the NTRA on this, as do other operators in the market

Mariam Wael: Thank you. We have Harry Whelpton, who would like to ask a question directly. Please go ahead, your line is open.

Harry Whelpton: Thank you, Mariam, and thank you, management. My first question is on the cable activity, which I think had been delayed in the first and second quarters because of construction difficulties but has now resumed; we saw a revenue contribution of around EGP 1.7 billion in the third quarter. *What should we expect for the remainder of the year, and how should we think about cable-related revenue in 2027 and beyond, given recent announcements of projects?*

Wael Hanafy: Let me give you some background on our cable revenues. Until around two years ago, cable project revenues were around USD 135 million a year. Over the past two

years, however, regional disruptions in the Red Sea have delayed the construction and connection of several cable systems.

We are working on several initiatives to bring these revenues back to their normal level of around USD 120–135 million a year, starting in 2027. For this year, as you mentioned, and as we indicated on our H1 call, EGP 1.7 billion was recognized in Q3, and further cable revenues will be recognized in Q4.

Harry Whelpton: I guess we can distinguish between the projects, which are more construction revenue, and the O&M and capacity sales. *Capacity sales showed very strong growth in 9M 2026, at around EGP 3.5 billion versus EGP 2.7 billion last year. Is that the right growth rate to expect going forward?*

Wael Hanafy: Yes. We are focused on growing capacity sales, as well as the landing services we provide to international cable systems that land in Egypt. Unlike cable projects, these are recurring revenue streams, and we are actively working to grow them. Some capacity sales were recognized in Q3, and more will be recognized in Q4.

Harry Whelpton: That's clear. On the data center, I appreciate that the target is for it to become the seventh pillar. *Would it be possible to provide more disclosure on current capacity, anticipated capacity, and pricing dynamics, so we can think about revenues further out in time?*

Wael Hanafy: The business is still at an early stage. Once it reaches a more mature stage, we will provide more detailed disclosure.

Mariam Wael: Thank you. We have Johannes de Bruijn. Please go ahead, the floor is yours.

Johannes de Bruijn: Good afternoon, everyone, and thank you for the call and the details. Congratulations on a very strong set of numbers. *It looks like EBITDA margins are tracking a little ahead of your guidance. Are you confident you can maintain them at these levels, or are there one-offs or adjustments we need to consider?*

More importantly, on the capital structure, you have given guidance on free cash flow and capex for the next few years. My calculations suggest that if everything goes more or less according to plan, you should be debt-free within about three to four years. Is that the plan?

Do you want to get back to a net cash position, as you were back in the day? Could you talk through how you see net debt evolving over the next three to four years, and when you think you would be able to resume a higher dividend payout ratio? I'm referencing ten years ago, when I think the majority of earnings was paid out in dividends.

Wael Hanafy: Thank you. There are several questions there, so let me start with your conclusion. Yes, your conclusion is about right: we expect to return to a net cash position three to five years from now.

On EBITDA sustainability, the increase in EBITDA is not related to one-offs; it reflects the normal organic growth of Telecom Egypt's operations. So we believe we will sustain the margin we have reached, and we will continue working to improve it further.

On the capital structure, free cash flow to the firm reached EGP 28 billion for the nine months, which is a strong result, and we are working to grow it further. For the capex outlook over the next three to five years, we are targeting the mid-20s as a percentage of sales. We believe this level of capex will be needed because we are not a stagnant company; we are pursuing growth, so we need to deploy capex in a measured way and prioritize the most lucrative projects.

On debt, our plan is to return to a net cash position within three to five years. On dividends, we do not have a written dividend policy; distributions are based on Telecom Egypt's cash position at the time of payout. However, as management, we aim to increase dividends gradually, as much as we can.

Johannes de Bruijn: Got it, thank you very much.

Mariam Wael: Thank you. We have a few questions typed in the Q&A box. *What is your target net debt-to-EBITDA for 2027?*

Wael Hanafy: We are currently at 0.8x, and we are targeting 0.6–0.7x maximum next year.

Mariam Wael: Thank you. Another question: *What is the reason behind the margin expansion, and do you expect to keep this margin going forward?*

Wael Hanafy: The margin expansion has no specific reason beyond the normal growth of our revenues, especially data revenue, and we have also started to recognize revenue from our cable projects again. We aim to maintain this margin going forward.

Mariam Wael: Thank you. Yassin Mamoon asks: *"Can you give guidance on the data center contribution to the bottom line for 2027 and beyond?"*

Wael Hanafy: We do not provide guidance for individual projects or business lines, especially at the bottom-line level. The data center contribution is currently small, but we expect it to increase significantly starting next year.

Mariam Wael: The same participant also asks: *"What is the net profit margin for the data centers?"*

Wael Hanafy: Data centers are a high-margin business, particularly as revenues are generated in hard currency, while the majority of opex is in Egyptian pounds.

Mariam Wael: Thank you. Another question: *"Could you give us more color on debt repayments made this quarter and their respective currencies, and whether you intend to further accelerate debt repayment towards year-end and into 2027? Also, how do you see the debt split between EGP and USD next year?"* Let's take these one by one, starting with the debt repayments made this quarter.

Wael Hanafy: As long as we have excess cash, we will repay debt, especially short-term facilities. The main repayments this quarter were short-term Egyptian pound facilities of around EGP 8–10 billion.

Mariam Wael: Thank you, that also answers the question on currencies. *Do you intend to further accelerate debt repayment towards year-end and into 2027?*

Wael Hanafy: As I said, as long as we have excess cash, we will definitely pay down our debt; we have no intention of holding cash, especially given our short-term facilities. As operating cash flow picked up, and as we received dividends from VFE of double or triple the amount we had budgeted, we used this cash to repay part of our short-term facilities. We will continue to do so going forward.

Mariam Wael: Thank you. And the final part, from Ms. Mai: *"What is the current EGP/USD debt split, and what do you expect next year?"*

Wael Hanafy: As of the end of Q3 2026, it is 55% USD and 45% EGP. This split reflects the repayments we have made on our Egyptian pound debt, not devaluation; the EGP portion of our debt is decreasing significantly. Starting next year, I would like to keep the split at around 50/50, or maybe with a lower USD share.

Mariam Wael: Very clear, thank you. *Can you give us an update on the data center business, and how you see it over the next three years?*

Wael Hanafy: As the CEO mentioned, we have established a 100%-owned subsidiary, which is already incorporated and licensed. We are now in the final phase of transferring the assets from the parent company to the subsidiary. The management of the new company is already in place and brings extensive expertise in this area. The company will be agile in partnering and structuring different operations with a range of partners, and we believe the data center business will grow year over year.

As of today, Telecom Egypt holds around 50% of the local data center market, and our aim is to maintain at least a 50% share of local and international demand for data center services in Egypt.

Mariam Wael: Thank you. We have a follow-up question from Harry Whelpton. Please go ahead.

Harry Whelpton: Just a follow-up on the cables. *In your answer to my question, you mentioned around USD 120–135 million per year. Which segments of the cable business does that include: projects, O&M, or capacity sales?*

Wael Hanafy: That figure is for projects only, because that is where the fluctuation in this business unit comes from. The rest, whether capacity sales or ancillary services and O&M, is sustainable and growing.

Harry Whelpton: Clear, that's what I wanted to check. And on the international carriers segment, *transit growth declined quite a bit in the third quarter. I'm not sure if that's*

seasonality, since it accelerated in the same quarter last year. Could you explain what drove that?

Wael Hanafy: International carrier revenue relates to international incoming calls into Egypt. It is increasing, with traffic up 16% YoY. Transit is a small part of this: it is traffic we take from one country and terminate in another, without it terminating in Egypt at all. Telecom Egypt has the scale and extensive relationships with the majority of international carriers to carry traffic from one country, terminate it in another, and earn a margin.

Transit revenue typically ranges between USD 65 and 70 million a year. We could push it to USD 100 million in a single quarter, but at the end of the day, what matters is the margin Telecom Egypt keeps after receiving and terminating the call. So it is not an issue. The decline this quarter was very slight, and we do not expect it to continue in the coming quarter.

Harry Whelpton: *Could you talk about the segment as a whole and your growth expectations, particularly for incoming, given the increasing use of services like WhatsApp?*

Wael Hanafy: Telecom Egypt is the only operator with an international gateway receiving international traffic into Egypt, so we carry incoming traffic not only for Telecom Egypt but for the other operators as well. Two years ago, we started entering into trilateral agreements between Telecom Egypt as the international gateway, the other operators in the Egyptian market, and the international carriers that own and carry the traffic from their end users, and we will continue to do so over the next three years.

These trilateral agreements have clearly increased traffic, as we have seen over the last year and this year. Based on the agreements we have on the table, we expect to maintain the same growth in international incoming traffic, at least for next year.

Harry Whelpton: Thank you.

Mariam Wael: Thank you. A participant asks: *"Could you please repeat how much of data center demand in Egypt you intend to meet?"* I believe you said you are currently maintaining a 50% market share, correct?

Wael Hanafy: Yes, exactly.

Mariam Wael: Thank you. Another participant asks: *"How is the competitive landscape developing in the mobile space? VFE appears to be doing very well, but how are the other players doing, and is competition getting very aggressive?"*

Wael Hanafy: No. It is a regulated market, and prices are set by the national regulator, the NTRA. Competition is based on the incentives and the total package you can provide to your customers. VFE is doing well because it complements its services with a broad content offering, and content has become a key part of what customers need. The other players are also performing well. Overall, there is no aggressive competition in Egypt, as the market is closely regulated.

Mariam Wael: Thank you. We have two final questions remaining. *"What is your FX exposure across revenue, costs, capex, payables, and debt?"* You have already addressed debt, so how much of your revenue is exposed to USD?

Wael Hanafy: Around 30% of our revenue is generated in US dollars, so roughly one-third of our revenue is exposed, and Telecom Egypt benefits from any depreciation of the Egyptian pound against the US dollar. The only negative effect is on net profit, through FX losses, which are non-cash amounts reported when we revalue our foreign currency debt in Egyptian pounds. Overall, we benefit from devaluation.

Mariam Wael: *And how much of your capex and payables is exposed to FX?*

Wael Hanafy: The majority of our capex is in US dollars or indexed to the US dollar. This is not an issue for Telecom Egypt, as we pay our capex from our own hard-currency resources; it is just a matter of timing.

Mariam Wael: Thank you. And one final question: *"When do you expect to announce a formal dividend policy, and what is the guidance for distributions out of 2026 profits?"*

Wael Hanafy: As of now, I do not have a clear answer. The Board has started working on a strategy for building a dividend policy. They are listening to what our shareholders are asking for and are working on it, but I do not have a clear answer at this point.

Mariam Wael: Thank you. We have one more follow-up question from Harry Whelpton.

Harry Whelpton: Sorry, just one more. *Could you help me understand the significance of tourism for you? I know it is probably more relevant for the mobile operators, but given your domestic wholesale business, do you have any exposure to tourism, and could you explain the recent dynamics?*

Wael Hanafy: There are several aspects related to tourism. To serve the large number of tourists visiting every year, hospitality providers turn to Telecom Egypt for more connectivity in order to provide a better service to their guests. So, we benefit indirectly through our wholesale services and the services we provide to enterprises, hotels, and so on.

From a consumer perspective, as we provide mobile services, we are trying to benefit from tourism as well, which is why we have booths in the airports to capture more business from visitors to Egypt. On the investment side, the VFE brand is well known among international visitors, so we also benefit indirectly through VFE. At the end of the day, however, the impact on Telecom Egypt's numbers is minimal.

Harry Whelpton: Thank you very much.

Mariam Wael: Thank you. We have no further questions. I would like to thank the management for their time and presentation, and thank everyone for joining. Have a great day, everyone.

Wael Hanafy: Thank you, Mariam, and thank you all.