

Telecom Egypt FY2025 Earnings Call Transcript

Telecom Egypt ([ETEL.CA](#); [TEEG.LN](#)) FY2025 earnings call dated 26 February 2026

Call Coordinator:

Mariam Wael – Good morning and good afternoon, everyone. Thank you all for joining, and welcome to Telecom Egypt's FY2025 results webinar.

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. If you have any questions, please type them in the Q&A box at the bottom of your Zoom screen, or raise your hand and I'll unmute your line. With no further delay, I'll now hand over to Mr. Ehab Shoeib. The floor is yours.

Mr. Ehab, please go ahead.

Ehab Shoaieb: 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 full year ended 31 December 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. 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. Our Corporate Strategy Senior Director, Ms. Hind Ebeid, and our Investment Director Mr. Ahmed El Gharabawy, 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 further delay, I will now hand over the call to Mr. Tamer El Mahdi.

Tamer El Mahdi: Thank you Ehab and thank you everyone for joining us today. And for those observing Ramadan, Ramadan Kareem.

Fiscal year 2025 was defined by performance and progress. We delivered results ahead of plan—demonstrating our ability to execute consistently.

Starting with our top line, total revenue increased by 31% YoY to reach EGP 106.7 billion. EBITDA reached EGP 47.5 billion, delivering an EBITDA margin of 45%. This performance was driven by effective pricing execution and strong demand for connectivity and digital services, while disciplined cost management supported resilient margins.

Operationally, we continued to scale our footprint. We expanded our customer base across mobile, data, and voice: mobile up 10%, fixed broadband up 8%, and fixed voice up 7% YoY—supported by continued improvements in network quality and a customer-centric commercial approach.

More broadly, growth was increasingly data-led, reflecting rising consumption and reinforcing the strategic importance of our network investments in enabling Egypt's digital transformation.

We also continued to strengthen Egypt's role as a regional connectivity hub. Wholesale growth was driven by International Incoming Calls, Subsea Cable Projects, and Domestic Infrastructure Services—contributing 12%, 6%, and 4% of total revenue growth, respectively. Overall, wholesale contributed 22% of our revenue growth

Turning to profitability, net profit more than doubled to reach EGP 22.6 billion, up 123% YoY, compared to EGP 10.1 billion last year—delivering a 21% margin. This was supported by strong operational performance and a 71% increase in VFE income.

On cash generation, we enhanced cash conversion. Cash capex, including licenses, declined to EGP 29.6 billion, representing 28% of sales, down from EGP 35.0 billion in FY2024. Importantly, FCFF improved sharply to EGP 21.1 billion, up from negative EGP 1.6 billion last year—reflecting stronger cash generation and disciplined capital allocation.

We are encouraged by market's recognition of our progress, with our share price up around 98.7% as of 31 December 2025 versus 31 December 2024—and even higher today. Year-to-date, the increase is about 41%. While share performance is influenced by broader market conditions, we believe this reflects growing confidence in our strategy and execution.

Looking ahead, we enter 2026 with supportive fundamentals. Egypt's economy is expected to continue strengthening, with GDP growth for FY2025/2026 projected to reach 5.1% (per the Central Bank of Egypt), underpinned by structural reforms, increased investment, and sustained momentum in the ICT sector.

We also welcome the 2026–2030 National Spectrum Strategy, which supports our plan to roll out next-generation services, enables us to expand our long-term network capacity, and reinforces our ability to execute.

In 2026, our priorities are clear: focus on sustainable value creation, allocate capital to maximize returns, and continue strengthening customer experience across our integrated service offering.

Sustainability remains integral to how we invest and operate. This year, we will continue advancing sustainability initiatives, including modernizing our network and reinforcing responsible operations—aligning growth with long-term resilience and value creation.

Before I close, I want to thank our employees for their commitment and execution throughout the year, and our customers for their continued trust. I also extend my appreciation to our shareholders, partners, and the broader stakeholder community for your ongoing support.

I will now hand the call over to our CFO, Mr. Wael Hanafy, to discuss the key financial highlights for the quarter.

Wael Hanafy: Thank you, Mr. Tamer. Let me now take you through our Q4 2025 performance in more detail.

Starting with revenues, top-line revenue increased by 22% YoY to EGP 28.6 billion. This performance was primarily driven by a 45% increase in Retail revenue and a 2% increase in Wholesale.

Within the Retail segment, Data remained the key growth engine, increasing 46% YoY and accounting for 79% of the total revenue growth for the quarter. This was supported by the favorable base effect of the price adjustments implemented across the Retail portfolio in 2024, alongside ongoing expansion of the customer base and higher data consumption levels. These results reflect the company's strategic focus on driving sustainable growth and enhancing revenue quality across key market segments.

Turning to Wholesale, growth was mainly propelled by a 26% YoY increase in Cable Projects revenue and a 46% in Capacity Sales revenue.

We achieved 39% EBITDA growth, with margins expanding to 46%, up from 40% last year — demonstrating strong top-line growth coupled with continued operational efficiency.

Operating profit grew 54% YoY, underpinned by resilient operations and a sustained focus on cost optimization.

VFE income rose 19% YoY to EGP 3.9 billion, driven by sustained organic growth and price adjustments.

Interest expense decreased 14% YoY on partial debt repayment, with the effective interest rate at 15% in Q4 2025 versus 16% in Q4 2024.

Net profit increased by c. 4x YoY to EGP 5.6 billion, with the net profit margin expanding to 20% from 6%, reflecting strong operational performance and effective cost optimization measures.

Overall, the full-year results demonstrate our disciplined execution and consistent progress against our strategic priorities, reinforcing the positive momentum we have built throughout the year.

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

Mariam Wael: Thank you. A reminder: please type your questions in the Q&A box, or raise your hand and I'll unmute your line.

Question from Mike Steere: *Do you see any prospect for further price increases, and have there been any discussions with the regulator?*

Wael Hanafy: Yes. We are in ongoing discussions with the regulator regarding small or incremental price increases. Ultimately, it depends on the direction and decision of the regulatory body. We continue to request this—Telecom Egypt and the other operators—but the final decision rests with the regulator.

Mariam Wael: Second part: *Why is your service revenue growth guidance of high single digits so much lower than VFE, which grows by more than 20%?*

Wael Hanafy: Last year's growth above 30% was driven by two price increases in 2024. For next year, we did not assume any price increase in our guidance. Without a price increase, we expect growth below 10% YoY. VFE's guidance is based on their own assumptions; I can't comment on their calculations. If a price increase happens, our growth would be higher.

Mariam Wael: Question from Leila: *How will the data center sale impact your gross debt in 2026?*

Wael Hanafy: If the transaction is concluded, we would direct proceeds toward debt repayment. That said, we are not in a hurry to execute the sale. When we first considered it two years ago, our financial position was not as strong. Now our position is good, and it is a good asset to keep—especially as we are waiting for approvals from the external parties, which have delayed the process. That's why we're working on a number of different options to reach the end goal, which is to monetize the data center—i.e., cash out the revenues or the cash we can generate from the data center asset. So, if we achieve the objective we set two years ago—whether through completing the transaction or through another route—we would use the proceeds to repay the debt maturities we have in 2026.

Mariam Wael: Follow-up question: *In case of conclusion, will you use 100% of the proceeds to deleverage?*

Wael Hanafy: It depends on our cash position at the time. So, for the time being, yes. Given that the Company currently has excess cash on hand, any surplus cash will be directed toward debt repayment, unless we see a higher-value investment opportunity. We are evaluating

investments for 2026 and beyond; we could allocate part to investment and part to repayment.

Mariam Wael: Question from Leila Amer: *Is capex guidance moving toward 20% of total sales? And how is the 5G spectrum investment going to impact revenue?*

Wael Hanafy: Yes. Our guidance is 20% to 25% for 2026 and beyond.

Mariam Wael: Questions from Farouk. *First: Why was VFE so strong in FY2025 beyond price increases? Is fintech a big driver?*

Wael Hanafy: Beyond price increases and organic growth, Vodafone Cash may be a contributor—but we are not in a position to speak on their behalf.

Mariam Wael: Second question: *What is your optimal debt currency mix going forward, given EGP rates remain high? Would you shift back to USD if FX stabilizes, or is local currency funding structurally preferred?*

Wael Hanafy: Our current debt structure is about 50% USD and 50% EGP. We balance FX exposure with local funding. Yes, we have strong hard-currency generation, so we can service our hard-currency debt and benefit from the lower interest rates. However, at the same time, we need to maintain a balance, because we do not want to expose the Company to excessive FX risk if the valuation and macro environment were to change in two or three years. While we are confident that the macro dynamics will be stable over at least the next two years, we still need to remain balanced. Accordingly, maintaining a 50/50 mix is appropriate for Telecom Egypt, and we have reflected this in our five-year business plan.

Mariam Wael: Third question: *Can ARPU grow ahead of inflation in 2026 without another major price change?*

Wael Hanafy: As per our ARPU expectations, with normal organic growth, we expect ARPU to be slightly higher than inflation.

Mariam Wael: *With net debt to EBITDA declining and free cash flow strong, how do you prioritize between higher dividends, debt reduction, and further capex?*

Wael Hanafy: Yes, the main goal is to keep free cash flow to the firm in positive territory, while maintaining a sound balance sheet. Our first priority is to allocate cash to capex, because Telecom Egypt is pursuing growth, and as long as you are pursuing growth, you

need to invest. That said, we are focusing capex on high-quality investments that deliver higher and faster returns for the Company.

Our second priority is debt repayment and deleveraging, because repaying debt clearly helps by reducing interest expense. If we follow this path—investing in capex to drive higher revenues and higher cash generation, while also reducing debt and lowering interest costs—the combination of these two actions will ultimately result in higher cash available for distribution to shareholders. This is how we support, over time, increasing dividends to our shareholders.

Mariam Wael: *Do you have any guidance for VFE income in 2026?*

Wael Hanafy: No, we cannot disclose that.

Mariam Wael: Question from Salma Taha Hussein: *When do you expect VFE to pay for the new spectrum?*

Wael Hanafy: I cannot speak on their behalf. However, at a high level, for Telecom Egypt, once spectrum is received, the related capex would typically follow. Based on the framework issued by the regulator, we will pay for the spectrum on an installment basis over five years.

Mariam Wael: Thank you. I have a follow-up question on spectrum fees. Just to confirm my understanding: you said that you or the other network operators will start paying for spectrum in 2026. *Does that apply to Telecom Egypt, or to other operators?*

Wael Hanafy: Not Telecom Egypt.

Mariam Wael: Understood—so the 2026 payments would relate to other operators?

Wael Hanafy: At a high level, operators start paying once the spectrum is received/allocated. Under the regulatory framework, spectrum fees are payable in installments over five years.

Mariam Wael: *And for Telecom Egypt, when should we expect you to start paying for your spectrum?*

Wael Hanafy: Under the agreement between Telecom Egypt and the regulator, we are scheduled to receive the spectrum in 2030, and we would start paying upon receipt. The agreement also grants Telecom Egypt the right to receive the spectrum earlier if we see value in doing so; in that case, payments would commence upon receipt.

In addition, the spectrum framework disclosed by the regulator covers both additional spectrum and the renewal of existing spectrum. For Telecom Egypt, approximately 40% relates to new spectrum and 60% relates to renewals.

Mariam Wael: *So you have not yet decided whether you will receive the spectrum earlier and therefore begin payments earlier, correct?*

Wael Hanafy: Correct. The agreement provides for receipt in 2030. In parallel, we are assessing whether it would be beneficial for Telecom Egypt to receive it earlier, and if it is value-accretive, we would proceed.

Mariam Wael: Question from Sohaila Shafik: *Any plans to sell or increase your stake in VFE?*

Wael Hanafy: No.

Mariam Wael: *Any specific capex plans, like fiber-to-the-home?*

Tamer El Mahdi: Yes. We have major plans to expedite the rollout of fiber-to-the-home, and we are therefore increasing capex. In 2026, we will place a particular focus on fiber-to-the-home, as well as on providing additional digital and intelligent solutions for our customers across both the enterprise and consumer segments.

Mariam Wael: Question from Sarah: *Can you give guidance on FY2026 revenues and profits?*

Ehab Shoeib: Revenue growth guidance for FY2026 is high single digit. We do not provide specific net profit guidance. EBITDA margin is expected to be in the low 40s.

Mariam Wael: *After several price adjustments recently, what feedback can you share on price elasticity and competitive response?*

Wael Hanafy: When the prices went up, it is across the whole market and applied to all competitors. So, we have not seen a negative reaction or any price war from other operators, because, ultimately, this is a regulated market. Price increases are approved by the regulatory body for the market/operators, not for Telecom Egypt or for any single operator.

Following the two price updates implemented in 2024, the price elasticity was, in our view, not negative at all. Telecommunications has effectively become a utility service, and even with higher prices we continue to see higher consumption. So, we do not see negative elasticity from these price increases.

Mariam Wael: *How exposed are ICA revenues to further EGP volatility, routing risk, or regulatory changes? What portion of FY2025 growth was FX translation versus underlying traffic/pricing?*

Wael Hanafy: In a nutshell, there was no positive FX impact in FY2025. In fact, FX was down by around 8%, not up, so it was not supportive of ICA revenues.

On traffic, volumes increased by 26% YoY in FY2025 versus FY2024. We are working to sustain this level of growth and maintain it, at least into 2026. That said, the agreements we sign with international carriers—or locally—if you want to secure a defined percentage increase, are typically short term, around three to six months at most. The key point is that we are focused on maintaining this growth trajectory at least through FY2026.

Mariam Wael: *Outlook on the cables business for FY2026—any new major projects?*

Wael Hanafy: There are around four projects in the pipeline. They are not major projects expected to be completed in FY2026, but we are building additional backbone capability to support international cabling through Sinai, and also strengthening eastward connectivity via terrestrial routes to the Arabian Peninsula, via agreements with one or two international carriers in the Gulf.

Mariam Wael: What are you budgeting for the USD/EGP FX rate for FY2026?

Wael Hanafy: When we built the budget, we assumed the rate would start at around EGP 50 per USD and end at around EGP 52–53 per USD by the end of 2026.

Mariam Wael: *How do you expect VFE's spectrum capex to impact dividends distributed to Telecom Egypt?*

Wael Hanafy: For the dividend we expect to receive in 2026, it should be more than what we received last year. That is what I can say at this stage.

Mariam Wael: *What is your mobile market share and the outlook? How does being the fourth player add value?*

Wael Hanafy: Yes, our market share is around 10%. We currently have approximately 15.5 million mobile subscribers, representing around 10% YoY growth. Our focus now is on how to further expand our portfolio in this segment.

In terms of the new customer acquisitions, we believe they are coming in broadly in line with fair value. While we are a smaller player in mobile, we have strengths in other segments, and we are leveraging that to enhance the value proposition we offer customers—particularly by strengthening bundling and, importantly, FMC (fixed–mobile convergence), which is one of the key products Telecom Egypt is well positioned to provide. This is a core area of focus in terms of what we can offer to our mobile subscribers.

Mariam Wael: We have one final question: *The dividend payout ratio is low—how will this progress? How will dividends in FY2026 and beyond compare to FY2024 and FY2025?*

Wael Hanafy: If we are talking about the dividend payout ratio, it is not very low. On a standalone basis, it is around 50% to 57%. On a consolidated basis, it could be around 15%—or even less.

At the end of the day, when you assess the dividend, you also need to take into consideration the capital gains from holding the stock. As you mentioned, the stock price increased by around 100% year-on-year, and from the start of FY2026 to date it has increased by around 40%. So, when we talk about the total return from holding Telecom Egypt's stock, you need to look at the combination of capital gains and dividends.

From management's perspective, we have maintained a steady dividend year over year, with a gradual increase over time. We believe this reflects Telecom Egypt's financial position and supports value for shareholders.

Mariam Wael: I believe there are no further questions, so I'll hand back to management for any closing remarks.

Tamer El Mahdi: Thank you. I would like to reiterate that FY2026 will be a very important year for Telecom Egypt. We have a number of plans across our product portfolio, the services we will provide, and further enhancements to our infrastructure. We will be very focused on building a robust and sustainable platform to deliver next-generation services, leveraging our fiber rollout (FTTH) together with 5G as key priorities in the next phase.

Mariam Wael: Thank you everyone for joining, and a special thank you to Telecom Egypt's management. Have a good day.

Tamer El Mahdi: Goodbye.