Telecom Egypt Q2 2026 Earnings Call Transcript

Telecom Egypt (ETEL.CA; TEEG.LN) Q2 2026 earnings call dated 13 August 2026.

Call Coordinator:

Nemat Choucri – Hello everyone, and welcome to Telecom Egypt's second Q26 Earnings call, hosted by HC Brokerage.

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*

The session will start with a brief overview by management, followed by a Q&A session. I now hand the floor to Ehab Shoaieb, the Investor Relations Manager.

Ehab Shoaieb: Thank you Nemat, and thanks to HC Brokerage for hosting this quarter's conference call. Earlier today, we released our financial and operational results for the first half 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, and thank you for joining us.

Telecom Egypt is one of the largest and most diversified telecommunications operators in the Middle East and Africa, with a heritage spanning more than 170 years and a unique strategic position at the intersection of Egypt's domestic digital infrastructure and some of the world's most important international telecommunications routes.

Over the course of its history, Telecom Egypt has continuously evolved its business model to respond to changing customer needs, technological developments and market dynamics. Today, the Group operates across six principal revenue streams, including: **Consumer, Enterprise, Outsourcing, International Subsea Cables, International Carrier, and Domestic Wholesale**.

At the end of 2025, the Board of Directors approved Telecom Egypt's five-year business plan, establishing a clear strategic roadmap for the Group's next phase of growth. Our strategy is centered on two complementary priorities: **maximizing the value and growth potential of our existing businesses while developing new revenue streams that further diversify Telecom Egypt's earnings base**.

This approach is designed to build an increasingly robust, resilient, and future-ready business capable of navigating rapid changes in the global macroeconomic environment, while capturing the significant opportunities being created by the accelerating evolution of telecommunications technologies, digital infrastructure, and technology-enabled services.

<u>Data Centers: Establishing a Seventh Strategic Revenue Stream</u>

Consistent with this strategy, the Board announced in July that Telecom Egypt does not intend to divest its data center business. On the contrary, we view data centers and associated digital infrastructure as a strategically important growth platform for the Group.

Accordingly, Telecom Egypt has established a **separate legal entity, 100% owned by Telecom Egypt, dedicated to spearheading the development of our data center business as the Group's seventh strategic revenue stream**.

Establishing a dedicated entity provides the business with the operational and managerial flexibility required to compete effectively in a sector characterized by rapidly evolving technologies, customer requirements, investment structures and business models. At the same time, it allows the new business to leverage the substantial infrastructure, connectivity, customer relationships, and institutional capabilities of the wider Telecom Egypt Group.

We believe Telecom Egypt is exceptionally well positioned to become a leading data center and digital infrastructure player, not only in Egypt but across the broader African and regional markets.

Within Egypt, this competitive advantage is underpinned by Telecom Egypt's extensive national backbone and transmission infrastructure, providing the ability to connect locations across the country with significant speed, capacity, and resilience. Our infrastructure footprint includes **more than 1,500 central office locations distributed across Egypt,** providing a unique foundation upon which a distributed and scalable digital infrastructure platform can be developed.

Our domestic strength is complemented by an equally distinctive international position. Telecom Egypt's extensive subsea cable infrastructure places Egypt at the heart of global telecommunications routes connecting Europe, Asia, and Africa. Our infrastructure carries **more than 90% of international traffic transiting between Europe and Asia and between Europe and Africa**.

The combination of extensive domestic connectivity, international subsea infrastructure, strategic geography and long-standing relationships with global carriers and technology partners provides Telecom Egypt with a differentiated platform from which to capture the rapidly expanding demand for data center capacity, cloud connectivity, and broader digital infrastructure services.

<u>Investing in the Networks of the Future</u>

Infrastructure modernization represents another central pillar of the five-year business plan approved at the end of 2025.

Telecom Egypt is undertaking a comprehensive transformation of the access technologies through which we serve our customers. In fixed broadband, our objective is to **accelerate the deployment of Fiber-to-the-Home (FTTH)** and progressively transition our access network from legacy copper infrastructure toward a more advanced fiber-based architecture.

In mobile, we are similarly focused on maximizing the deployment and utilization of **5G technology**, creating the network capacity and technological foundation required to support the next generation of consumer, enterprise, and digital services.

Importantly, our strategy extends well **beyond connectivity**.

Across Consumer, Enterprise, and Wholesale markets, we intend to progressively expand Telecom Egypt's role across the digital value chain by developing services that complement our connectivity capabilities and deepen our relationships with customers. This evolution is fundamental to our ambition of transforming Telecom Egypt from a traditional telecommunications operator into a broader **digital infrastructure and technology services group**.

H1 2026: Early Evidence of Successful Strategy Execution

The results achieved during the first half of 2026 provide strong evidence that the strategic direction adopted at the end of 2025 is translating into tangible operational and financial outcomes.

During H1 2026, Telecom Egypt delivered a performance that demonstrates not only the strength of our market position, but, importantly, the quality of our execution and the increasing efficiency of our operating model.

Revenues increased by 17.4% YoY to EGP 59.2 billion, representing an increase of approximately **EGP 8.8 billion compared H1 2025.** More importantly, EBITDA grew at a faster rate than revenue, increasing by **20% to EGP 26.4 billion,** an improvement of approximately **EGP 4.5 billion.** As a result**, our EBITDA margin expanded to 45% compared with 44% in H1 2025.**

This operating leverage is particularly significant: it demonstrates that Telecom Egypt is not simply generating additional revenue, but is increasingly converting that growth into profitability through disciplined cost management and stronger execution across the organization.

The progression is even more pronounced at the bottom line, where **net profit increased by 47% YoY to EGP 15.4 billion,** representing an increase of approximately EGP 4.9 billion compared with H1 2025 and materially outpacing both revenue and EBITDA growth.

Consequently, our net profit margin expanded by 5 percentage points to 26%, from 21% in H1 2025.

Importantly for our shareholders, this improvement in earnings is also translating into stronger cash generation. **Free Cash Flow to the Firm (FCFF)** reaching **EGP 10.0 billion versus EGP 8.1 billion in H1 2025**—representing an improvement of EGP 1.9 billion, or approximately 24.3%—while **FCFF/EBITDA also improved to 38%,** further demonstrating the increasing cash-generating capability of the business.

Broad-Based Growth Across the Portfolio

The quality of these results is reinforced by the breadth of the underlying growth.

Our performance is not dependent upon a single product, customer segment, or revenue stream. Rather, we continue to see strong momentum across several of Telecom Egypt's core businesses:

- **Consumer revenue increased by 24% YoY**
- **Enterprise revenue increased by 16% YoY**
- **Domestic Wholesale revenue increased by 20% YoY**
- **International Carrier revenue increased by 26% YoY**

This financial momentum has been supported by continued expansion in network utilization and customer demand. Average mobile and fixed broadband traffic increased, and international call volumes increased by **18.1%**.

These indicators reinforce our confidence that the underlying demand for connectivity and digital services remains strong and that Telecom Egypt possesses the infrastructure, customer relationships, and operational capabilities required to translate this demand into sustainable long-term growth.

Building a Stronger Telecom Egypt

Taken together, our H1 2026 results tell a clear and encouraging story.

Telecom Egypt is growing revenue, converting that growth into faster EBITDA expansion, translating operating performance into sustainable, stronger profitability, and ultimately converting earnings into higher free cash flow.

This is precisely the progression we seek to achieve through our five-year strategy.

At the same time, we recognize that our transformation is still at an early stage. Our objective extends beyond delivering strong results in any single reporting period. We are building a Telecom Egypt that is structurally more diversified, technologically more advanced, operationally more efficient and financially more resilient.

Our established businesses provide us with a strong foundation. The expansion of FTTH and 5G will strengthen that foundation further. Our move beyond connectivity will create new opportunities to deepen customer relationships and participate in higher-value segments of the digital economy. And the establishment of our dedicated data center platform represents an important step toward creating an additional engine of long-term growth.

Few telecommunications groups combine Telecom Egypt's domestic infrastructure footprint, international subsea connectivity, strategic geographic position, and diversified customer base. Our responsibility is to translate these unique assets into sustainable value.

As we execute the five-year business plan approved by our Board, we will remain focused on **disciplined investment, operational excellence, profitable growth, cash generation, and prudent capital allocation**, with the ultimate objective of creating sustainable long-term value for our shareholders and all our stakeholders.

The first half of 2026 represents an encouraging start to this journey. We remain confident in Telecom Egypt's strategic direction and in our ability to build a stronger, more diversified, and increasingly valuable company for Egypt, our customers, and our shareholders.

With that, I have completed my brief, and I will now hand the call over to our CFO, Mr. Wael Hanafy.

Wael Hanafy: Thank you Mr. Tamer. Let me now take you through our Q2 2026 performance in more detail.

Total revenue increased 21% YoY to EGP 31 billion. Retail revenue grew 25%, while wholesale revenue increased 14%, reflecting broad-based growth across our main business lines.

In Retail, Data revenue increased 30% YoY and contributed 65% of total revenue growth. This was supported by continued customer-base expansion, higher data usage, and the initial benefits of the NTRA-approved price adjustments.

In Wholesale, ICA was the main revenue driver, increasing 28% YoY, while domestic wholesale revenue grew 24%. This more than offset the 14% decline in IC&N revenue, which continued to reflect the cyclical decline in cable projects. We expect activity in this area to improve in the second half of the year.

The strength of our revenue performance translated into higher operating earnings. EBITDA increased 24% YoY, with the margin improving to 45% from 43% in Q2 2025. The improvement reflected strong revenue growth, operating leverage, and continued discipline in managing our cost base.

Operating profit increased 32% YoY to EGP 9 billion, with an operating margin of 30%, compared with 26% in Q2 2025. This reflected the stronger EBITDA performance which offset the impact of 15% higher D&A YoY.

At the bottom line, net profit reached EGP 11.8 billion, increasing c.100% YoY and representing a 38% margin. The improvement was supported by stronger operating performance, 52% YoY higher income from VFE, and lower interest expense of EGP 2.5 billion, compared with EGP 3.4 billion in Q2 2025.

Overall, Q2 demonstrated the strength of our operating model, with growth across our key revenue streams, improved EBITDA margins, and a significant increase in net profit. Overall, these results highlight our ability to beat our targets.

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.

Nemat Choucri: We will now open the floor for questions. If you would like to ask a question, please raise your hand to speak directly with management, or type your question in the Q&A box.

We will pause for a moment to allow participants to prepare their questions.

While we wait for questions from participants, I would like to start with one from my side. *Could you please elaborate on the implications of the cancellation of the deal on Telecom Egypt's deleveraging plans and/or future dividend distributions?*

Wael Hanafy: Thank you. As the CEO mentioned, the cancellation of the deal has no negative implications. On the contrary, our current strategic direction for the data center business will strongly support the company and is expected to enhance returns and cash generation, and allow us to continue distributing dividends to our shareholders.

As such, maintaining the asset is expected to create greater long-term value than if we had proceeded with the transaction.

Nemat Choucri: We have a question from Sara Amr: "*Regarding the net debt position, it reached EGP 72 billion compared to EGP 76 billion last quarter. Is the reduction mainly due to FX?*"

Wael Hanafy: No, not at all. The change is primarily driven by debt servicing—specifically, repayments of principal on our outstanding debt balances.

Nemat Choucri: Carol Bebawy asks: "*Can you share updated guidance for FY2026 revenue and net income?*"

Wael Hanafy: Certainly. The revenue guidance we shared at the beginning of the year was high single-digit growth. However, we expect to outperform that. Following the approval of the price adjustments by the NTRA, we now expect revenue growth to be around 15% YoY.

For EBITDA, our initial guidance was in the early 40% margin range; we are now at approximately 45% and will aim to maintain that level through year-end.

For capex, we previously guided to the early 20% range; we now expect capex to be approximately 23% to 25% of sales.

Ahmed El Gharabawi: For free cash flow-to-EBITDA, we guided to the mid-30% range at the beginning of the year, and we are broadly tracking in line with that so far, with potential for improvement by year-end.

Nemat Choucri: Tinashe Hove asks: "*Can you share your view on the medium-term prospects for the cable projects business, which appears to be declining?*"

Wael Hanafy: Thank you. Over the past two to three years, the region has experienced significant turbulence and disruptions affecting key waterways and routes. However, we remain focused on this business segment and it projects, given its strategic importance to Telecom Egypt. We have taken several actions to address these headwinds.

That said, this segment is inherently cyclical, with revenue dependent on contract execution and service delivery. As a result, performance may fluctuate from quarter to quarter.

To strengthen this business, we are investing in new infrastructure in Sinai and developing new cable routes connecting Egypt with neighboring Gulf countries to provide alternative paths and mitigate disruptions on traditional routes. We believe the benefits will be reflected in our results in the near term.

Based on our current outlook for this segment, we expect improved performance in the second half of 2026 and into 2027.

Tamer El Mahdi: To add to Wael's comments and reconfirm: we have developed a new strategy for the subsea cable business and are working diligently to mitigate the regional impacts. We expect to have more clarity on the results of this strategy before the end of the year, and we anticipate being able to communicate new projects over the next half of the year.

Nemat Choucri: Dina Mostafa asks: "*How much FX gain was achieved during Q2 2026*?"

Wael Hanafy: To provide context, in Q1 2026, when the U.S. dollar appreciated against the Egyptian pound, we recorded approximately EGP 5.3 billion in FX losses. However, in Q2 2026, as the Egyptian pound rebounded and recovered a meaningful portion of the Q1 movement, we recorded approximately EGP 3.3 billion in FX gains.

So, FX gains in Q2 2026 were EGP 3.3 billion. For the first half overall, we still have net FX losses of approximately EGP 1.9 billion.

Nemat Choucri: Adrian asks: "*What specific cost savings enhanced margins the most?*"

Wael Hanafy: We are working across several cost categories. The largest cost line is employee expenses, and we are taking multiple measures to contain that. We are also optimizing marketing spend, transportation costs, and a number of smaller cost items. While some initiatives are modest individually, together they are delivering meaningful savings on the cost side.

Nemat Choucri: Adrian also asks: "*What proportion of ETEL's current infrastructure is legacy copper versus fiber optic, and how long will the upgrade process take?*"

Wael Hanafy: Today, approximately 99% of our services are delivered using MSAN technology, where the infrastructure is fiber-based except for the "last mile" (typically the last 200 to 500 meters to the customer premises).

In terms of FTTH penetration, we currently have around 2.0 million FTTH customers out of approximately 11.5 to 12.0 million fixed broadband customers. Migrating the entire base from copper to FTTH is a nationwide initiative and will take multiple years.

We ae focusing on this, and under our five-year business plan, our target is to migrate more than 50% to 60% of the customer base to FTTH by 2030.

Tamer El Mahdi: To summarize, FTTH penetration is currently around 17% (approximately 1.9 million FTTH customers out of roughly 11.5 to 12.0 million**).** Our rollout plan aims to exceed 50% penetration by 2030 through migrations and additions of new FTTH customers.

Nemat Choucri: Hani Zantout asks: "*Finance costs were positive EGP 722 million in Q2 2026 per the financial statements. Can you provide color on this line item?"*

Wael Hanafy: This is mainly due to the reduction in our debt balance QoQ, as well as lower interest rates following multiple rate cuts implemented toward the end of last year. We are now benefiting from that environment.

Nemat Choucri: And the second part*: "How should we think about dividend per share (DPS) given first-half performance?"*

Wael Hanafy: DPS is a key focus area for us. With the strong performance in the first half and our expectation for continued performance through the full year, we believe this should support a stronger dividend outcome for FY2026.

However, we cannot commit to a specific DPS at this stage. We will assess our financial position and cash positions closer to year-end. That said, we expect the FY2026 dividend to be higher than what we have distributed over the past two to three years.

Nemat Choucri: Johan De Bruijin asks: "*What are your plans for hosting and the data center business? How much capex will this require, and what revenue and return on invested capital do you expect in the medium term (3 to 5 years)?"*

Tamer El Mahdi: Telecom Egypt is investing wisely across capex and opex. Our current strategy is to maintain capex in the range of 23% to 25% of total revenue across the business.

At the same time, we are evaluating a number of projects through feasibility studies, focusing on IRR, payback period, business models, and the expansion and value this can create for Telecom Egypt with this new subsidiary, including potential valuation implications. This is a fast-evolving segment with significant potential, and we are pursuing multiple opportunities.

RDH2 is expected to start operations very soon—within the next one to two months—and we have been able to meaningfully improve its profitability relative to RDH1.

For now, our capex discipline remains unchanged at 23% to 25% across all business segments, while we continue to assess expansion opportunities.

Nemat Choucri: Yahya Zaki asks: "*Since proceeds from the data center deal were expected to be used to settle part of the debt, how will you manage debt now—particularly if the CBE raises interest rates? Also, how sensitive is interest expense to a 1% rate increase?*"

Wael Hanafy: Let me answer the second half of the questions, as Mr. CEO has addressed the first half several times. On the second part, our organic growth—across both our domestic and international services—together with the price adjustments approved by the NTRA, provides supportive tailwinds. These factors underpin our ability to deleverage in line with our expectations. Accordingly, we do not believe there will be any negative impact at all.

Nemat Choucri: Carol Bebawy has a follow-up: "*Could you share the pace of deleveraging, and whether Telecom Egypt is expected to reach a net cash position?*"

Tamer El Mahdi: We are performing very well on deleveraging. As you can see from our reported figures, our net debt-to-EBITDA has improved to approximately 1.2x, down from 1.6x. Free cash flow-to-EBITDA is now around 38%. This reflects solid progress versus the position at the end of Q1 2025.

Nemat Choucri: Another question: "*Can we assume the EGP 6.7 billion gains from Vodafone in Q2 2026 include FX gains? Also, could you share your guidance for capex in FY2026?*"

Tamer El Mahdi: On capex guidance, yes—our guidance remains 23% to 25% of revenue across the business. This includes FTTH, 5G, data centers, and other investment priorities. We will communicate any deviation from this strategy if circumstances change.

Nemat Choucri: We have one question from Harry: "*Please remind us how to calculate ARPU for voice using the revenue breakdown and operational KPIs in the shared data file.*"

Wael Hanafy: Regarding the Vodafone gains **in** Q2 2026: no, they do not include FX gains. This is purely organic growth from Vodafone.

On ARPU calculation: ARPU is calculated by taking the relevant revenue recorded over the period and dividing it by the customer base over that period, consistent with standard ARPU methodology.

Nemat Choucri: Thank you. I now hand the floor to management for any concluding remarks.

Tamer El Mahdi: Thank you. In closing, we are building a stronger Telecom Egypt. We are focused on growing revenue, converting that revenue into faster EBITDA expansion, translating operational performance into sustainable profitability, and ultimately converting earnings into higher free cash flow.

We set a plan at the beginning of the year, and we are executing it. The first-half results are an early indication that we have the right plan and that implementation is progressing well.

We will continue working hard with our teams and stakeholders to deliver value to our customers and to the Egyptian telecommunications industry.

Nemat Choucri: Thank you. On behalf of HC, we thank the management of Telecom Egypt for today's call, and we thank you all for participating. This concludes our meeting, and you may now disconnect.

Tamer El Mahdi: Thank you.

Wael Hanafy: Thank you.