



Q3 2023 Earnings Release

Cairo, Egypt

14 November 2023

Telecom Egypt (Ticker: ETEL.CA; TEEG.LN) today announced its audited financial results, according to the Egyptian Accounting Standards (EAS), for the period ended 30 September 2023.

9M 2023 key highlights

- **Consolidated revenue** up 30% YoY, reaching EGP 42.0bn, thanks to IDD revenue, which almost doubled YoY reaching EGP 4.3bn on increased traffic (+12% YoY) and USD appreciation, followed by a 50% YoY increase in cable revenue reaching EGP 3.1bn, and the continuous increase in both fixed and mobile data revenues (+18% YoY, landing at EGP 15.9bn).
- **Customer base** grew on all fronts, with fixed voice reaching 12.4mn subscribers (+9% YoY), fixed data reaching 9.3mn subscribers (+8% YoY), and mobile subscribers reaching 12.5mn (+6% YoY).
- **EBITDA** hiked to EGP 17.6bn, achieving a strong margin of 42% on the back of an improved revenue mix.
- **Operating profit** reached EGP 10.6bn, up 23%, despite the 38% YoY inflation in D&A costs.
- **Net profit** grew 48% YoY, reaching EGP 9.1bn despite 3.7x higher interest expense, driven by the positive operational results and 67% higher investment income that reached EGP 3.4bn.
- **In-service CapEX** reported EGP 11.7bn, implying in-service CapEX/sales of 28%, while **cash CapEX** reported EGP 18.4bn (including license), implying cash CapEX/sales of 44%. Excluding the license instalments, cash CapEX/sales would reach 37%.
- **Net debt** reached EGP 35.9bn, with net debt/EBITDA on an annualized basis coming in flat at 1.5x vs. 1.4x in FY 2022 despite the 51% upside in gross debt due to foreign currency exposure revaluation.
- **Net operating cash flow** reached EGP 11.4bn. However, **FCFF** amounted to a negative EGP 2.3bn, mainly due to the increase in vendor payments to secure CapEX and as a mean of hedging against expected FX fluctuations.

Mohamed Nasr, Managing Director and Chief Executive Officer, commented:

"I'm pleased with our 9M 2023 financial results, as we head towards year-end on a strong note. Total revenue amounted to EGP 42.0bn, culminating from good broad-based growth across all business units, and reflecting the value of our consistency in enhancing our services. Retail came through at the top again with EGP 23.2bn in revenue, up 16% YoY, driven by meaningful growth in fixed & mobile data services. Our wholesale also gained traction with EGP 18.8bn in revenue, up a strong 52% YoY. Across the board, we once again recorded an increase in customer numbers. EBITDA margin came in at 41.9% and operating profit grew by 23% YoY.

Our margins remained resilient against the inflationary pressures witnessed across the various cost elements in 9M 2023 (particularly the higher interest expense and currency devaluation), thanks to organic operational performance and continued savings from the national roaming agreement. Management continued to strategically procure and settle its CapEX requirements upfront, as such FCFF was strained, amounting to a negative EGP 2.3bn mainly due to the increase in vendor payments as a mean of hedging against expected FX fluctuations in 2024 and other unforeseeable risks given the current volatile situation in the region.

We continue to innovate and deliver, keeping in mind the rapidly changing needs of our partners and end users. A case in point is the recently launched WeConnect cross-connection ecosystem, which reflects our dedication



to focus on our partners' connectivity needs by designing solutions and further developing our well-established infrastructure to create sustainable financial returns and increase our shareholder value.

Looking ahead to 2024, our strategy will be to focus on the pathways that will deliver significant and sustainable profitability. We will pursue and prioritize different growth options, different opportunities to monetize our assets especially U.S. dollar generated assets in order to bring more agility to our investment outlays for our core business and manage our operating costs. We will continue to deploy and develop innovative technologies to enhance the business and improve the end-user experience while enhancing our pricing and marketing strategies. I remain confident in our long-term trajectory as we already have the right formula in place for continued success and long-term growth."

Telecom Egypt - Main events in Q3 2023

- ✓ In late September, Telecom Egypt launched its new WeConnect ecosystem, providing agile access to Egypt's extensive subsea cable infrastructure. WeConnect enables users to mix and match connectivity between subsea cable systems in the Mediterranean Sea and the Red Sea using an open and neutral model.
- ✓ Also in late September, Telecom Egypt and the Medusa Submarine Cable System, a neutral and independent Mediterranean submarine infrastructure operator, signed an agreement to extend Medusa to the Red Sea. The 8,760 km long submarine cable, which will land in the Egyptian city of Port Said by the end of 2025, will be connected to the Red Sea landing stations of Suez, Zafarana, and Ras Ghareb through Telecom Egypt's extensive terrestrial crossing network.

Customer base

(000s)	Q3 23	Q3 22	Δ %YoY	Q2 23	Δ % QoQ
Fixed Line					
Voice	12,396	11,412	9%	11,816	5%
Data	9,318	8,610	8%	9,085	3%
Mobile	12,538	11,870	6%	12,557	-0.1%

Revenue breakdown

EGP mn	9M 23	9M 22	Δ %	Q3 23	Q3 22	Δ % YoY	Q2 23	Δ % QoQ
Home & Consumer	18,536	15,993	15.9%	6,414	5,576	15.0%	6,205	3.4%
Enterprise	4,619	3,937	17.3%	1,490	1,325	12.5%	1,438	3.7%
Domestic Wholesale	6,144	4,658	31.9%	1,695	1,568	8.1%	1,895	-10.5%
International Carriers	5,595	3,351	67.0%	1,876	1,088	72.4%	1,945	-3.5%
International Customers & Networks	7,064	4,335	62.9%	2,347	2,316	1.3%	2,695	-12.9%



Income statement summary

EGP mn	9M 23	9M 22	Δ %	Q3 23	Q3 22	Δ % YoY	Q2 23	Δ % QoQ
Revenue	41,958	32,274	30%	13,823	11,873	16%	14,177	-2%
EBITDA	17,588	13,339	32%	5,627	5,279	7%	5,820	-3%
EBIT	14,046	10,661	32%	4,709	4,546	4%	4,505	5%
NPAT	9,148	6,170	48%	2,453	2,389	3%	2,882	-15%
EPS	5.36	3.61	48%	1.44	1.40	3%	1.69	-15%
<i>Margins</i>								
EBITDA Margin %	41.9%	41.3%	59 bps	40.7%	44.5%	(376 bps)	41.0%	(34 bps)
EBIT Margin %	33.5%	33.0%	44 bps	34.1%	38.3%	(422 bps)	31.8%	229 bps
NPAT Margin %	21.8%	19.1%	268 bps	17.7%	20.1%	(238 bps)	20.3%	(259 bps)

Results discussion

Q3 2023

- **Top-line** increased by 16% YoY to report EGP 13.8bn, comprising EGP 7.9bn in retail (57% of total revenue) and EGP 5.9bn in wholesale (43% of total revenue), showing a YoY growth of 15% and 19%, respectively.
- **Home & consumer** increased 15% YoY, representing 84% of retail growth, thanks to EGP 5.3bn data revenue and a growing customer base.
- **Enterprise** increased 12% YoY, backed by a 28% increase in managed data revenues.
- **ICA** inflated by 72% YoY, constituting 40% of total revenue growth, supported by a 73% hike in IDD revenues on increasing inbound demand.
- **Domestic** grew by 8%, while **IC&N** came flat.
- **EBITDA** increased 7% YoY to land at EGP 5.6bn; however, the margin shrank to 40.7% (-376bps YoY) due to rising costs related to the second wave of employee annual salary increases effective in April to compensate for the currency devaluation, in addition to a higher base margin last year due to a recognition of a high margin cable revenue.
- Despite higher top-line revenue and a 46% increase in VFE income, **net income** rose slightly by 3%, mainly due to a 3.4-fold increase in interest expense as a result of the US dollar appreciation vs. the Egyptian pound.



9M 2023

- **Total revenue** increased 30% YoY, comprising EGP 23.2bn retail revenue and EGP 18.8bn wholesale revenue; representing 33% and 67% of total revenue growth YoY, respectively.
- **Home & consumer** increased 16% YoY, constituting 79% of the retail growth thanks to EGP 15.2bn data revenues and an overall expanding customer base.
- **Enterprise** increased 17% YoY, mainly due to the 24% YoY increase in managed data revenues.
- **Domestic** up by 32% YoY on the back of a 32% YoY increase in infrastructure revenue, related to continued demand for MNOs.
- **ICA** up 67% YoY as a result of an almost 2-fold increase in IDD revenue.
- **IC&N** up 63% YoY, mainly due the 50% increase in cable projects.
- **EBITDA** came in at EGP 17.6bn (+32% YoY), implying a 41.9% margin supported by a strong revenue mix.
- **Net profit** reached EGP 9.1bn due to strong operational performance, and EGP 3.4bn investment income, which counterbalanced the hike in interest expense.

Balance sheet summary

EGP mn	9M 23	FY 22	Δ %
Current Assets	32,719	26,221	25%
Net Fixed Assets	68,135	58,847	16%
Long Term Investments	13,357	12,260	9%
Other Long Terms Assets	23,749	21,912	8%
Total Assets	137,960	119,240	16%
Current Liabilities (Excl. STD)	33,832	33,280	2%
CPLTD	25,348	10,415	143%
LTD	21,083	20,411	3%
Other Non-Current Liabilities	9,006	8,865	2%
Total Liabilities	89,270	72,972	22%
Total Shareholder Equity	48,690	46,268	5%
Total Liabilities & Shareholder Equity	137,960	119,240	16%

Cash flow summary

EGP mn	9M 23	9M 22	Δ %
Net Cash Provided by Operating Activities	11,368	9,770	16%
Net Cash Used in Investing Activities	-16,087	-9,979	61%
Net Cash Used in Financing Activities	8,308	-445	1969%
Net Change in Cash & Cash Equivalents	3,589	-653	649%
Translation Differences of Foreign Entities	98	18	455%
Beginning of Period Cash	6,752	2,923	131%
End of Period Cash	10,439	2,287	356%

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Please refer to Telecom Egypt's full financial statements that can be downloaded from the website ir.te.eg

For more information, contact:

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About Telecom Egypt

Telecom Egypt is the first total telecom operator in Egypt providing all telecom services to its customers including fixed and mobile voice and data services. Telecom Egypt has a long history serving Egyptian customers for over 160 years maintaining a leadership position in the Egyptian telecom market by offering its enterprise and consumer customers the most advanced technology, reliable infrastructure solutions and the widest network of submarine cables. Aside from its mobile operation "WE", the company owns a 45% stake in Vodafone Egypt. Telecom Egypt's shares and GDRs (Ticker: ETEL.CA; TEEG.LN) are traded on The Egyptian Exchange and the London Stock Exchange. Please refer to Telecom Egypt's full financial disclosure on ir.te.eg