



H1 2024 Earnings Release

Cairo, Egypt

14 August 2024

Telecom Egypt (Ticker: ETEL.CA; TEEG.LN) today announced its audited financial results, according to the Egyptian Accounting Standards (EAS), for the period ending 30 June 2024.

H1 2024 key highlights

- **Consolidated revenue** grew 35% YoY, recording EGP 38.0bn. This growth was fueled by a 46% YoY hike in Data revenue across the Retail segment, constituting 48% of top-line growth, followed by International Direct Dialing (IDD) and Capacity Sales revenues growing by 51% and 103%, respectively.
- **Customer base** grew across all segments. Fixed Voice and Fixed Broadband subscribers both grew by 8% YoY, while Mobile subscribers increased by 4% YoY.
- **EBITDA** reached EGP 15.5bn, increasing 29% YoY and recording a margin of 41%. The enhanced revenue mix, along with cost optimization efforts, maintained the EBITDA margin at targeted levels despite the prevailing inflationary pressures.
- **Net profit** landed at EGP 6.5bn, almost flat YoY, with an implied margin of 17%. The solid operational growth and the substantial 52% YoY growth in VFE's income, supported by the recent price ups, managed to neutralize the pressure of a 2.6x higher interest expense YoY and the EGP 0.5bn FX losses due to the currency devaluation.
- **In-service CapEx** recorded EGP 8.0bn (representing 21% of sales), while **Cash CapEx** reached EGP 27.4bn, representing around 80% of total Cash CapEx budgeted for FY 2024. It is worth noting that the hike witnessed in Cash CapEx was partially caused by foreign currency appreciation, and vendor financing payments, which amounted to EGP 7.5bn in H1 2024, representing 68% of the EGP 10.9bn to be paid throughout FY 2024.
- **Net debt/EBITDA** marked 2.4x in H1 2024 vs 1.7x in FY 2023, mainly on the currency depreciation.
- **FCFF** recorded EGP -10.4bn, pressured by the vendor financing payments of EGP 7.5bn in H1 2024 (68% of the budgeted payments throughout FY 2024), in addition to the EGP 6.4bn related to the license. It is worth highlighting that FCFF stands at EGP -958mn when we exclude the license fees and account for the EGP 3.1bn (net of tax) dividends received from VFE in July 2024.



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

“Telecom Egypt's performance in the first half of 2024 exemplifies our resilience in navigating complex macroeconomic challenges, including currency devaluation and inflationary pressures, while sustaining robust growth.

Our total revenue for the period surged by 35% YoY, reaching EGP 38.0 billion, underscoring our strong market position and the effectiveness of our diversified service portfolio. Notably, our Retail segment revenue soared by 40% YoY, driven by a 46% increase in Data revenue and expansion across all Retail segments. This growth reflects our competitive edge and dedication to delivering exceptional value to our customers. Furthermore, our international operations, including ICA and IC&N, achieved remarkable annual growth of 58% and 28%, respectively, benefiting from foreign currency appreciation and higher traffic volumes. Despite the impact of inflation on rising costs, our EBITDA reached EGP 15.5 billion, with a margin of 41%, highlighting our adept cost management, effective infrastructure monetization, strategic price adjustments, in addition to leveraging the continuously growing data market locally and internationally, which is considered one of the principle drivers for the company's revenue growth.

Our Cash CapEx for the period amounted to EGP 27.4 billion. This increase is largely attributed to EGP 7.5 billion in vendor financing payments, which represent 68% of the budgeted amount for the whole year, and EGP 6.4 billion in license payments. This means that a significant portion of our CapEx for the year has already been expended in the first half. Although our Free Cash Flow to Firm (FCFF) recorded EGP -10.4 billion, excluding license fees and factoring in the EGP 3.1 billion in dividends received from VFE in July 2024, FCFF stands at EGP -958 million. Moving forward, we remain committed to optimizing future CapEx while ensuring that our business growth remains unhindered.

Our vision for Telecom Egypt is to establish ourselves as a leading regional data hub and drive growth across all business fronts. We are focused on enhancing the customer experience, maximizing the value of our infrastructure and assets, and delivering superior returns for our shareholders. As we look ahead, we are optimistic about the company's future and believe that macroeconomic stability will positively influence our financial position. We are confident that our strategic growth initiatives, resilient business model, and agile execution will continue to position us for sustained success and growth.”



Telecom Egypt - Main Events Year to Date

- ✓ 07 Aug 2024: Telecom Egypt Selects Mada Communications as its Preferred Partner for International SMS Services
- ✓ 15 Jul 2024: Telecom Egypt Enhancing Mobile Data Service in Strategic Hot Spots Using Nokia 5G Technology
- ✓ 01 Jul 2024: Telecom Egypt and 4iG Group to Partner in Modernizing Egypt’s Digital Infrastructure
- ✓ 05 Jun 2024: SubCom and Telecom Egypt Complete IEX Cable Landings in Egypt
- ✓ 22 May 2024: Telecom Egypt to Refinance Short-Term Facilities with new USD 200m Medium-Term Loan Facility from Banque Misr, UAE
- ✓ 21 May 2024: Telecom Egypt Partners with Huawei Cloud to Host Huawei’s First Public Cloud in Egypt and Northern Africa
- ✓ 19 Mar 2024: Telecom Egypt and EXA Infrastructure Partner to Promote Intercontinental Traffic via WeConnect
- ✓ 07 Feb 2024: ICE IV Project Propels Intra Asia to India, Middle East, and Beyond
- ✓ 01 Feb 2024: 4iG and Telecom Egypt Sign Terms of Cooperation for the Creation of an Express Subsea Cable between Albania and Egypt
- ✓ 25 Jan 2024: Telecom Egypt and NaiTel Join Forces to Build a new Subsea Cable “Coral Bridge” between Egypt and Jordan
- ✓ 17 Jan 2024: Telecom Egypt Secures the First 5G License in Egypt

Customer Base

(000s)	Q2 24	Q2 23	Δ %YoY	Q1 24	Δ % QoQ
Fixed Line					
Voice	12,792	11,816	8%	12,783	0%
Data	9,806	9,085	8%	9,639	2%
Mobile	13,107	12,557	4%	13,002	1%

Revenue Breakdown

EGP mn	H1 24	H1 23	Δ %	2Q 24	2Q 23	Δ % YoY	1Q 24	Δ % QoQ
Home & Consumer	17,223	12,122	42%	8,979	6,205	45%	8,244	9%
Enterprise	4,172	3,129	33%	2,176	1,438	51%	1,996	9%
Domestic Wholesale	4,370	4,274	2%	2,637	1,805	46%	1,733	52%
International Carriers	6,147	3,894	58%	3,511	2,035	73%	2,636	33%
International Customers & Networks	6,041	4,717	28%	3,163	2,695	17%	2,878	10%



Income Statement Summary

EGP mn	H1 24	H1 23	Δ %	2Q 24	2Q 23	Δ % YoY	1Q 24	Δ % QoQ
Revenue	37,953	28,136	35%	20,466	14,177	44%	17,487	17%
EBITDA	15,453	11,961	29%	8,143	5,820	40%	7,309	11%
EBIT	11,418	9,079	26%	6,898	4,373	58%	4,520	53%
NPAT	6,511	6,696	-3%	2,629	2,882	-9%	3,882	-32%
EPS	3.81	3.92	-3%	1.54	1.69	-9%	2.27	-32%
Margins								
EBITDA Margin %	41%	43%	(180 bps)	40%	41%	(126 bps)	42%	(201 bps)
EBIT Margin %	30%	32%	(218 bps)	34%	31%	286 bps	26%	785 bps
NPAT Margin %	17%	24%	(664 bps)	13%	20%	(748 bps)	22%	(935 bps)

Results Discussion

Q2 2024

- Top-line increased 44% YoY, reaching EGP 20.5bn, backed by a 46% increase in Retail revenue and a 42% increase in Wholesale revenue.
- Retail segment performance was mainly driven by 48% YoY higher Data revenue, following the recent price increase of all Retail services and an 8% YoY increase in the customer base.
- Wholesale YoY growth came on a significant increase in IDD of 73%, mainly on foreign currency appreciation and backed by a 17% increase in traffic, followed by an increase of 46% in Infrastructure.
- EBITDA increased 40% YoY, implying a margin of 40%. This was driven by the outstanding top-line growth coupled with cost optimization measures, which softened the inflation pressure fueled by the currency devaluation.
- Net profit landed at EGP 2.6bn, implying a margin of 13%. The strong operational performance, in addition to EGP 2.1bn income recognized from VFE (+95% YoY), managed to absorb the 2.8x YoY hike in the interest expense, the 37% YoY increase in D&A due to the currency devaluation, and the EGP 0.7bn recognized FX losses.



H1 2024

- Top-line increased 35% YoY to report EGP 38.0bn, backed by a 40% increase in Retail revenue and a 28% increase in Wholesale revenue.
- Home & consumer witnessed a 42% YoY increase, constituting 83% of the Retail growth on higher Data and Voice revenues of 46% and 23% YoY, respectively, boosted mainly by the price up and growing customer base (8% for both).
- Enterprise grew by 33%, mainly driven by a 36% YoY higher Managed Data revenue.
- ICA increased 58% YoY because of higher IDD revenues EGP (+1.4bn) on a 13% higher traffic and foreign currency appreciation.
- IC&N maintained a healthy increase of 28% YoY, driven by the 103% growth in Capacity Sales to reach EGP 2.4bn, directly benefiting from the foreign currency appreciation.
- EBITDA reached EGP 15.5bn, increasing 29% YoY and recording a margin of 41%. The enhanced revenue mix, along with cost optimization efforts, maintained the EBITDA margin at targeted levels despite the prevailing inflationary pressures.
- Net profit landed at EGP 6.5bn, almost flat YoY, with an implied margin of 17%. The solid operational growth, along with the substantial 52% YoY growth in VFE's income, supported by the recent price up, managed to neutralize the pressure of a 2.6x YoY higher interest expense and the EGP 0.5bn FX losses due to the currency devaluation.

Balance Sheet Summary

EGP mn	1H 24	FY 23	Δ %
Current Assets	41,440	34,360	21%
Net Fixed Assets	92,069	77,847	18%
Long Term Investments	17,932	14,968	20%
Other Long Terms Assets	33,428	23,465	42%
Total Assets	184,869	150,640	23%
Current Liabilities (Excl. STD)	43,229	34,261	26%
CPLTD	46,803	29,616	58%
LTD	33,991	19,726	72%
Other Non-Current Liabilities	17,383	16,152	8%
Total Liabilities	141,407	99,755	42%
Total Shareholder Equity	43,463	50,885	-15%
Total Liabilities & Shareholder Equity	184,869	150,640	23%



Cash Flow Summary

EGP mn	H1 24	H1 23	Δ %
Net Cash Provided by Operating Activities	12,904	10,535	22%
Net Cash Used in Investing Activities	-27,092	-13,736	-97%
Net Cash Used in Financing Activities	10,178	6,087	67%
Net Change in Cash & Cash Equivalents	-4,010	2,887	-239%
Translation Differences of Foreign Entities	241	117	106%
Beginning of Period Cash	10,443	6,752	55%
End of Period Cash	6,674	9,755	-32%

– End –

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 full-service telecom operator in Egypt providing a wide array of telecom services to a diverse customer base. Serving individuals, communities, SOHOs, SMEs and large enterprises, Telecom Egypt offers a comprehensive, innovative, and diversified portfolio of services, ranging from fixed and mobile voice to essential data solutions that are crucial in today's digital landscape. These services also include high-speed internet, smart solutions, data center facilities, and cloud computing solutions tailored for businesses. With a rich heritage of about 170 years, Telecom Egypt continues to lead the Egyptian telecom market by providing cutting-edge technology, robust infrastructure, and an extensive network of subsea cables to meet the needs of its enterprise and consumer clientele. The company's pivotal role in Egypt's telecommunications landscape is underscored by its expansive network coverage, broad service range, and dedication to fostering innovation. Aside from its mobile operation "WE", Telecom Egypt holds a significant 45% ownership 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