

# Results presentation

## telecomgypt

### Q3 2023



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# 9M 2023 results highlights

Three consecutive quarters of strong financial results

we

## Revenue

(EGP bn)

42.0bn

30% YoY

## Customers

(mn)

	Voice	Data
Fixed	12.4	9.3
	+9% YoY	+8% YoY
Mobile	12.5	
	+6% YoY	

## EBITDA

(EGP bn)

17.6bn

32% YoY

## Net profit

(EGP bn)

9.1bn

48% YoY

EBITDA margin of 42%, +59 bps YoY

Net profit margin of 22%, +268 bps YoY

## 9M 2023: Positive results as we head towards year-end

- ✓ **Total revenue** reached EGP 42.0bn, increasing 30% YoY, mainly driven by the wholesale increment of EGP 6.5bn from higher cables, IDD, and infrastructure revenues. The EGP 3.2bn retail growth was mainly driven by 18% higher data YoY.
- ✓ **Customer base** continues to grow on all fronts.
- ✓ **EBITDA** jumped to EGP 17.6bn, recording a high margin of 42% on the back of an improved revenue mix.
- ✓ **Operating profit** reached EGP 10.6bn, up 23% on robust operational performance, despite the 38% YoY increase in D&A costs.
- ✓ **Net profit** increased 48% YoY, driven by the positive operational results and EGP 3.4bn investment income (+67% YoY).
- ✓ **Net operating cash flow** reached EGP 11.4bn. However, FCFF amounted to a negative EGP 2.3bn, mainly due to accelerating vendor payments to secure all our CapEX needs as a mean of hedging against expected FX fluctuations.
- ✓ **Net debt/EBITDA** on an annualized basis came almost flat at 1.5x vs. 1.4x in FY 2022 despite the 51% upside in gross debt due to FX exposure revaluation.



# Q3 2023 results highlights

Top-line continues to gain traction YoY

we

## Revenue

(EGP bn)

13.8bn

+16% YoY / -2% QoQ

## Customers

(mn)

	Voice	Data
Fixed	12.4	9.3
	+9% YoY	+8% YoY
Mobile	12.5	
	+6% YoY	

## EBITDA

(EGP bn)

5.6bn

7% YoY / -3% QoQ

## Net profit

(EGP bn)

2.5bn

3% YoY / -15% QoQ

## Q3 2023: Higher IDD and strong data drive revenue up

- ✓ **Top-line** increased 16% YoY on higher IDD revenues, which increased by 73% YoY on higher inbound traffic and USD appreciation, followed by strong data performance, which contributed 44% to total revenue growth due to healthy operational KPIs.
- ✓ **Customer base** expanded YoY across all segments.
- ✓ **EBITDA** realized a strong margin of 41%, exceeding management's guidance, as high-margin revenues, particularly data-related revenues, overshadowed the exceptional April salary increase (a management incentive for employees to compensate for the currency devaluation).
- ✓ **Operating profit** decreased 8% YoY, mainly due to higher costs, in addition to a 37% YoY increase in D&A.
- ✓ Reported **VFE investment income** amounted to EGP 1.5bn, an impressive 46% upside YoY.
- ✓ **Net profit** reached EGP 2.5bn, coming flat at 3% YoY despite the strong top-line performance, mainly impacted by the 3.4x interest expense inflation from USD appreciation.

EBITDA margin of 41%, -376bps YoY, -34bps QoQ

Net profit margin of 18%, -238 bps YoY, -259bps QoQ

# Consensus estimates (Q3 2023)

	Revenue	EBITDA	EBITDA margin	Net profit
In EGP millions				
Analyst 1	13,780	5,626	40.8%	2,684
Analyst 2	13,695	5,945	43.4%	3,157
Analyst 3	13,738	5,770	42.0%	2,800
Analyst 4	13,745	5,790	42.1%	2,878
Analyst 5	13,700	5,337	39.0%	2,402
Analyst 6	13,786	5,646	41.0%	2,379
Analyst 7	13,345	5,594	41.9%	2,498
Average of estimates	13,684	5,673	41.5%	2,685
Median	13,738	5,646	41.9%	2,684
High	13,786	5,945	43.4%	3,157
Low	13,345	5,337	39.0%	2,379
Telecom Egypt results	13,823	5,627	40.7%	2,453
Variance	1.0%	-0.8%	-75bps	-8.7%

# Highlights of the main events in 9M 2023

we

## Main events



**31 Jan:** Telecom Egypt announced that the National Telecom Regulatory Authority (NTRA) has accepted its financial and technical offer to obtain an additional 5MHz of spectrum in the 1800MHz band using FDD technology.

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**23 Mar:** Telecom Egypt announced that Eng. Mohamed Nasr Eldin Mohamed Ali has been appointed as Managing Director and CEO of the company to succeed Eng. Adel Hamed Ibrahim Gadallah.

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**10 May:** Within its continuous efforts to enhance its value proposition, Telecom Egypt, Egypt's first integrated telecom operator and one of the largest subsea cables operators in the region, announces the recent successful landing of the 2Africa subsea cable in Port Said.

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**27 Sep:** Telecom Egypt, Egypt's first integrated telecom operator and one of the largest subsea cables operators in the region, has launched its new WeConnect ecosystem .

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**28 Sep:** Telecom Egypt, Egypt's first integrated telecom operator and one of the largest subsea cables operators in the region, and the Medusa Submarine Cable System, a neutral and independent Mediterranean submarine infrastructure operator, have signed an agreement to extend Medusa to the Red Sea

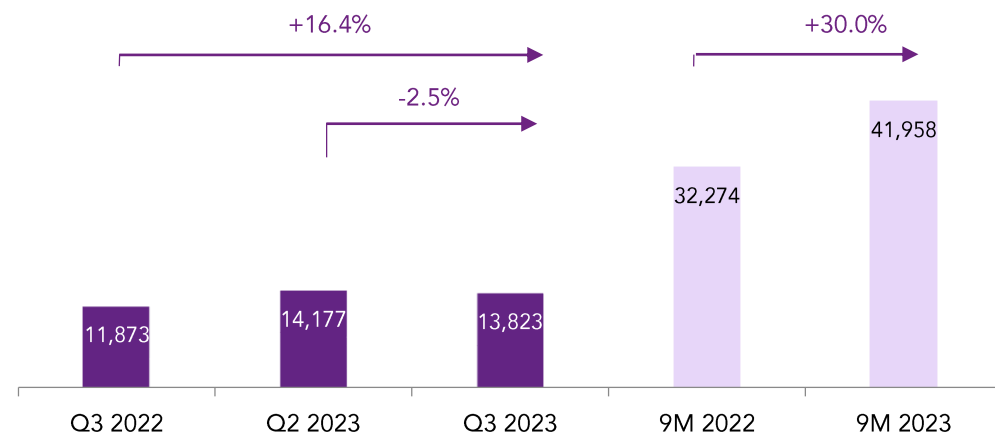
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# Financial highlights

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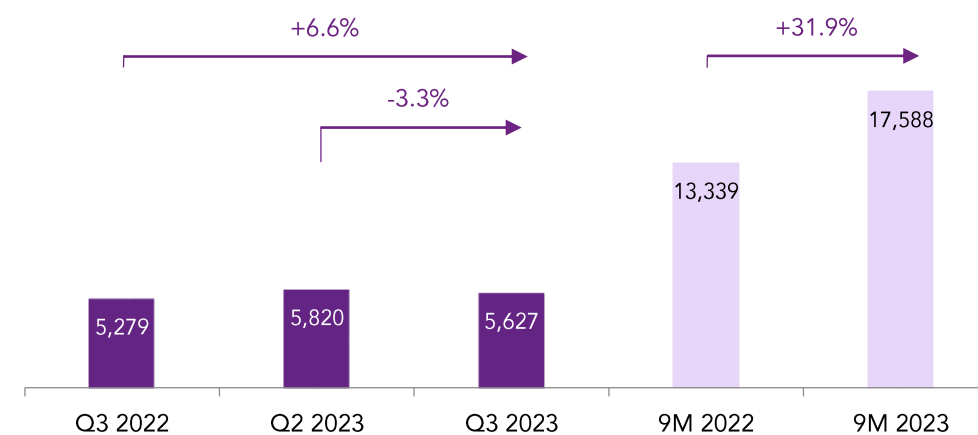
## Revenue

(EGP mn)



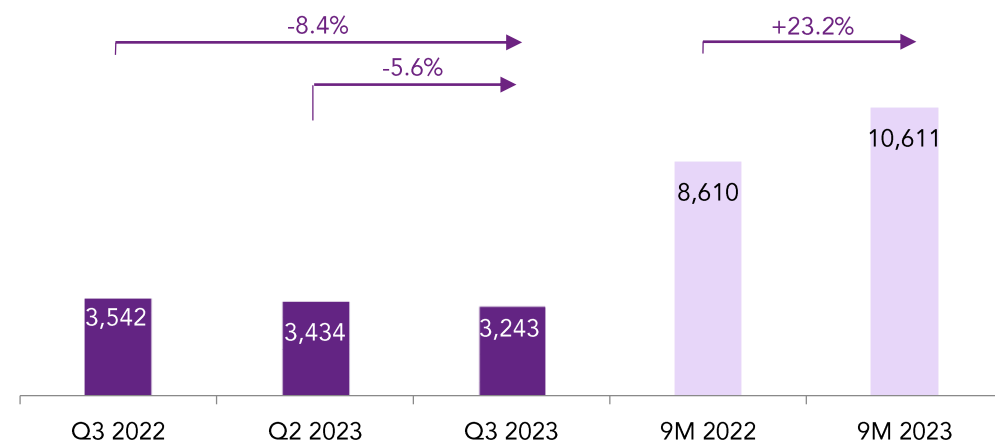
## EBITDA

(EGP mn)



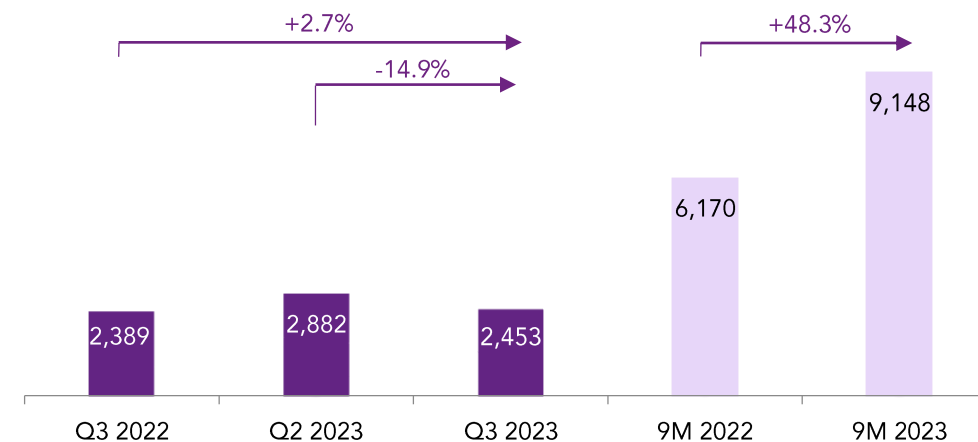
## Operating profit

(EGP mn)



## Net profit

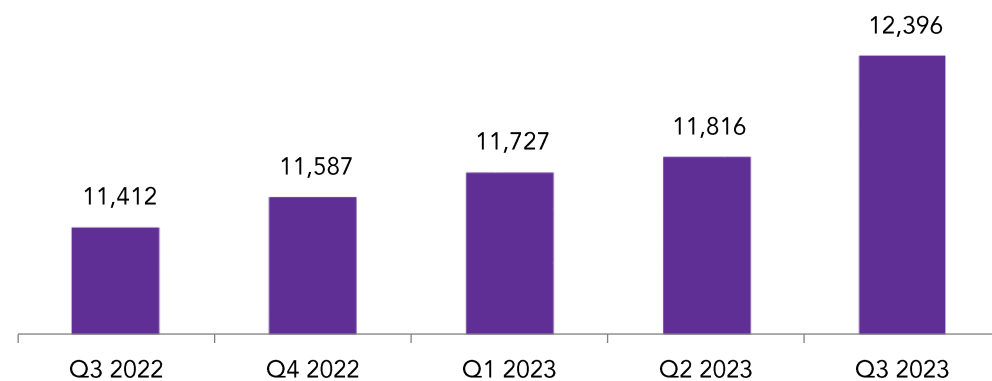
(EGP mn)



# Customer base and ARPU

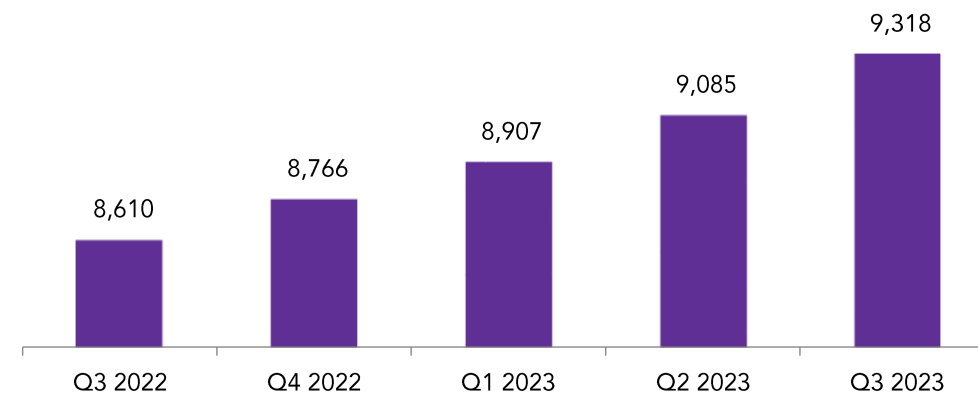
## Fixed line

(In 000s)



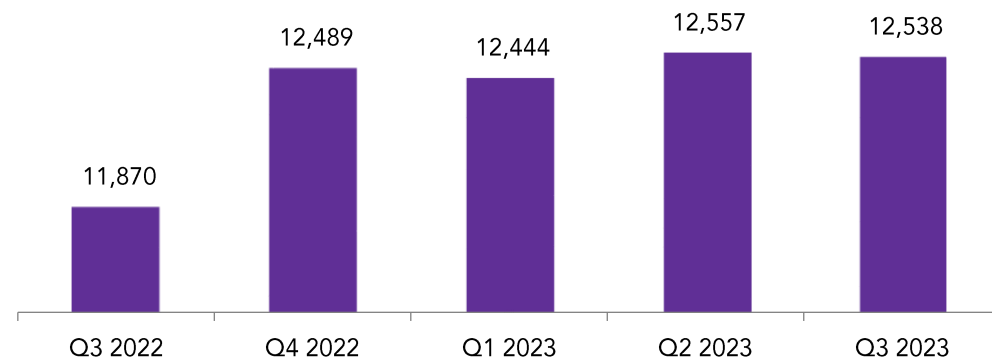
## Fixed broadband

(In 000s)



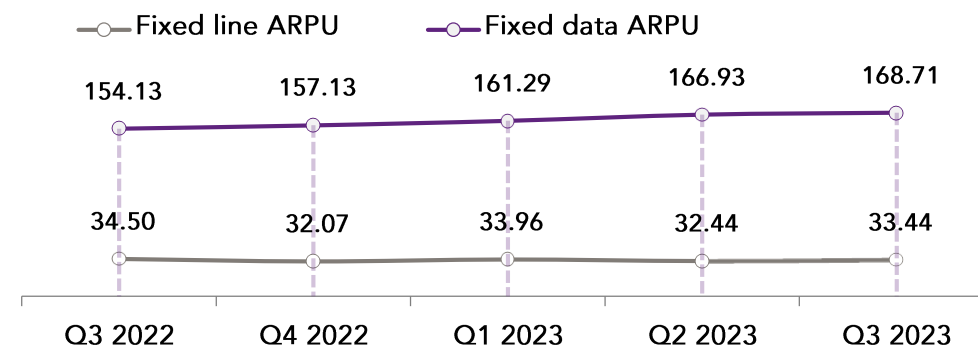
## Mobile

(In 000s)



## ARPU

(In EGP)

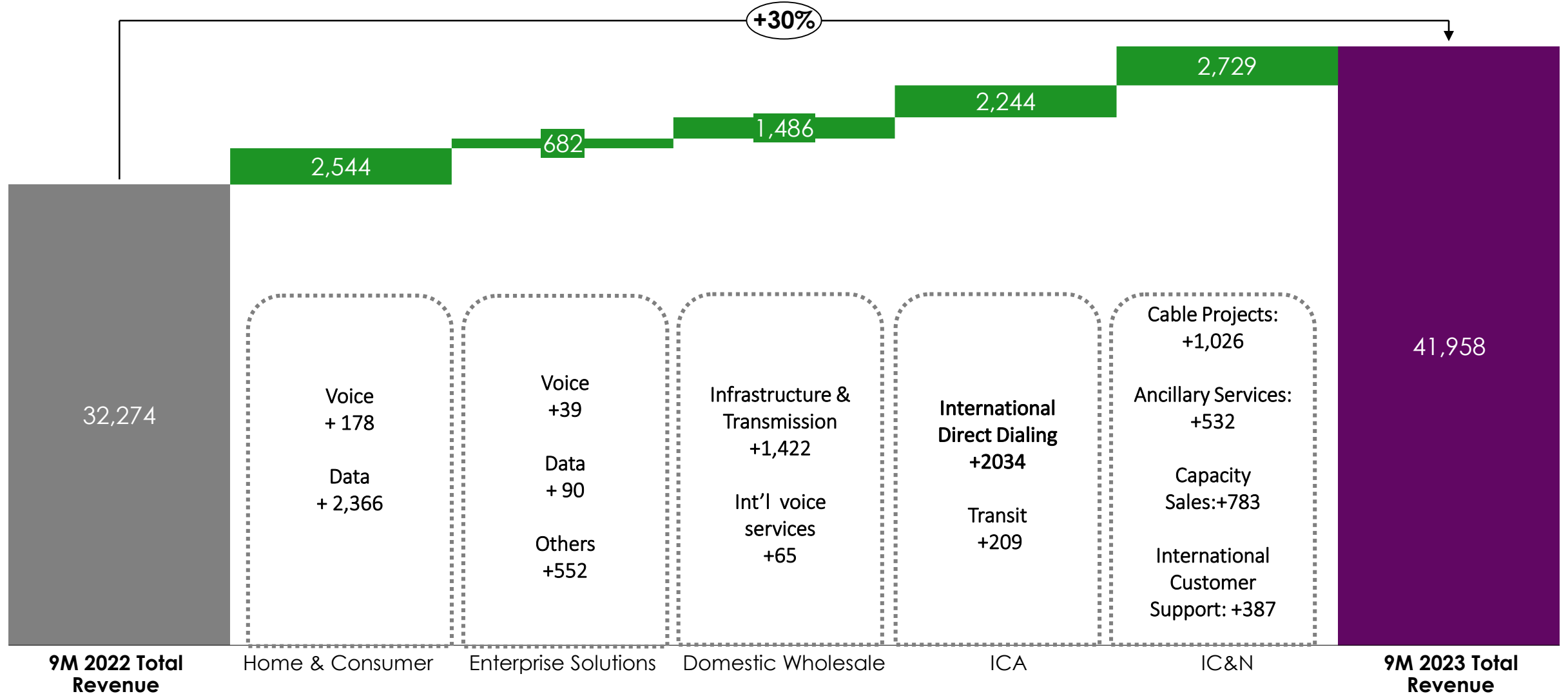




# Total revenues

9M 2023 (YoY)

we



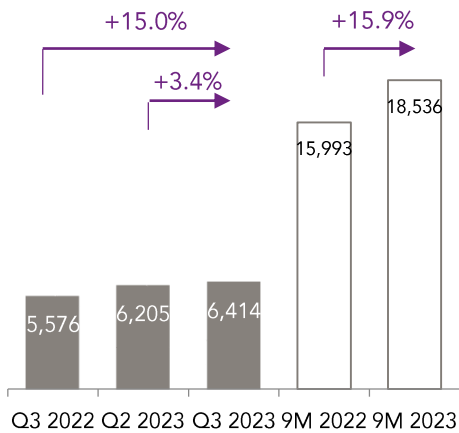
Note: All financial figures are in EGP million

# Revenue by business unit

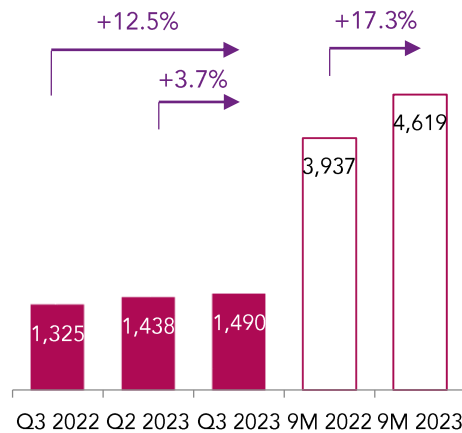
## Operational resilience seen across the board

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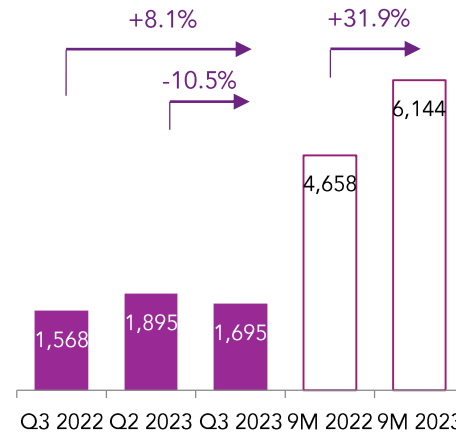
Home & Consumer



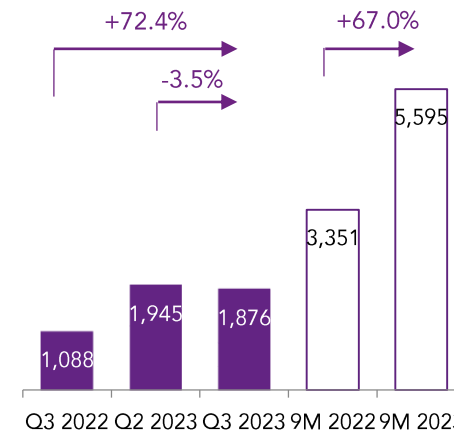
Enterprise



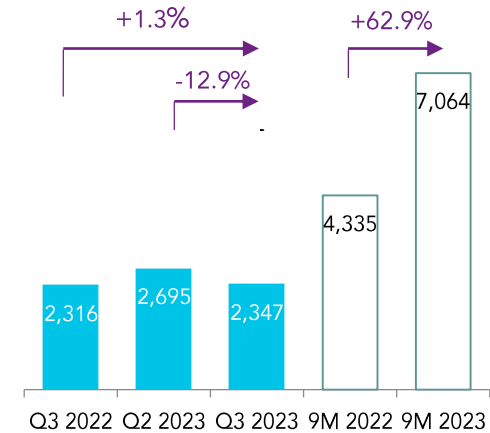
Domestic



International Carriers Affairs

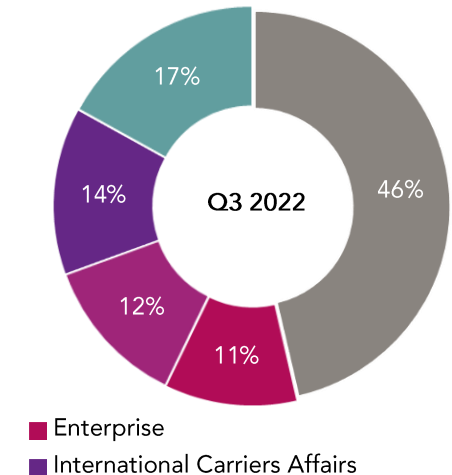
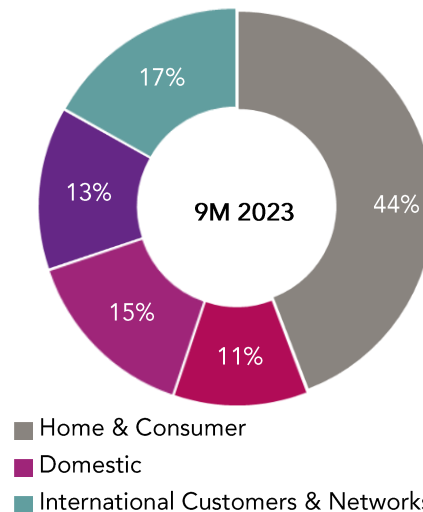


International Customers & Networks



### 9M 2023 performance

- ✓ Total revenue increased 30% YoY, comprising EGP 23bn retail revenue and EGP 19bn wholesale revenue; representing 33% and 67% of total revenue growth YoY, respectively.
- ✓ Home & consumer increased 16% YoY, constituting 79% of the retail revenue growth thanks to EGP 15bn data revenues and an overall expanding customer base.
- ✓ Enterprise increased 17% YoY, mainly due to the 24% YoY increase on higher managed data revenues.
- ✓ Mobile grew 18% YoY, making up a low double-digit of total retail revenue growth.
- ✓ 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 to the 50% increase in cable projects.



# Income statement (9M 2023)

In EGP mn	9M 2023	9M 2022	YoY	Q3 2023	Q2 2023	Q3 2022	QoQ	YoY
<b>Revenue</b>	<b>41,958</b>	<b>32,274</b>	<b>30%</b>	<b>13,823</b>	<b>14,177</b>	<b>11,873</b>	<b>-2%</b>	<b>16%</b>
Home	18,536	15,993	16%	6,414	6,205	5,576	3%	15%
Enterprise	4,619	3,937	17%	1,490	1,438	1,325	4%	12%
Domestic	6,144	4,658	32%	1,695	1,895	1,568	-11%	8%
ICA	5,595	3,351	67%	1,876	1,945	1,088	-4%	72%
IC&N	7,064	4,335	63%	2,347	2,695	2,316	-13%	1%
<b>Expenses</b>								
Employee cost	(7,916)	(6,210)	27%	(2,664)	(2,746)	(2,162)	-3%	23%
Call costs	(6,292)	(4,828)	30%	(2,163)	(2,189)	(1,640)	-1%	32%
CoGS*	(7,502)	(5,907)	27%	(2,363)	(2,505)	(2,124)	-6%	11%
S&D*	(1,613)	(1,261)	28%	(559)	(598)	(368)	-7%	52%
G&A*	(1,047)	(730)	44%	(448)	(318)	(299)	41%	50%
<b>EBITDA</b>	<b>17,588</b>	<b>13,339</b>	<b>32%</b>	<b>5,627</b>	<b>5,820</b>	<b>5,279</b>	<b>-3%</b>	<b>7%</b>
<b>Margin</b>	<b>42%</b>	<b>41%</b>	<b>59 bps</b>	<b>41%</b>	<b>41%</b>	<b>44%</b>	<b>(34 bps)</b>	<b>(376 bps)</b>
Other (expense) / income	128	349	-63%	85	73	107	17%	-20%
Depreciation	(5,361)	(3,879)	38%	(1,853)	(1,864)	(1,322)	-1%	40%
Amortization	(1,556)	(1,131)	38%	(528)	(518)	(411)	2%	28%
(Pro)\ Reversal of ECL provision	(188)	(68)	177%	(87)	(77)	(111)	14%	-22%
Operating profit	10,611	8,610	23%	3,243	3,434	3,542	-6%	-8%
<b>Margin</b>	<b>25%</b>	<b>27%</b>	<b>(139 bps)</b>	<b>23%</b>	<b>24%</b>	<b>30%</b>	<b>(76 bps)</b>	<b>(637 bps)</b>
Income from investments	3,430	2,048	67%	1,465	1,070	1,004	37%	46%
Net finance (cost) / income	(1,050)	(1,595)	-34%	(417)	(257)	(973)	62%	-57%
Net interest (exp.) / income	(2,499)	(703)	255%	(973)	(874)	(302)	11%	222%
Tax	(1,337)	(2,187)	-39%	(864)	(487)	(880)	77%	-2%
<b>Net Profit</b>	<b>9,148</b>	<b>6,170</b>	<b>48%</b>	<b>2,453</b>	<b>2,882</b>	<b>2,389</b>	<b>-15%</b>	<b>3%</b>
<b>Margin</b>	<b>22%</b>	<b>19%</b>	<b>268 bps</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>(259 bps)</b>	<b>(238 bps)</b>
EPS	5.36	3.61	48%	1.44	1.69	1.40	-15%	3%

\* COGS exclude employee & call costs. S&D and G&A exclude employee costs & D&A

Note: All financial figures reported are based on the consolidated financials under the Egyptian Accounting Standards

## Revenue

- Total revenue increased by 30% YoY, reporting EGP 42.0bn. Retail revenue up 16% YoY, fueled by strong data growth (+18%), constituting 76% of total retail growth. Wholesale up 52% YoY, due to 67% growth in ICA (mainly IDD increase of EGP 2.0bn), followed by 63% growth in IC&N (mainly cables increase of EGP 1.0bn), and 32% growth in Domestic (mainly infrastructure increase of EGP 1.4bn).

## Expenses

- Salaries increased 27% YoY, mainly due to the two salary adjustments earlier in the year, but improved 37bps YoY as a % of total revenue. Call costs as a % of total revenue came almost flat at 15%, despite an almost 2-fold increase in incoming wholesale call costs due to currency devaluation.

## EBITDA

- EBITDA reached EGP 17.6bn, marking a robust 42% margin and beating management's guidance. This was mainly driven by the continued data increase and overall momentum in infrastructure, IDD, and cable revenues, as well as continued cost savings from the national roaming agreement.

## Other-OPEX

- D&A rose 38% YoY in line with the CapEX rollout plan, spectrum amortization, and FX effect under the exceptional accounting treatment stated by the Prime Minister.
- Operating profit reached EGP 10.6bn, up 23 % YoY, thanks to the improved revenue mix.

## Non-operational

- Investment income increased by 67% due to VFE's strong operational performance.
- The continued interest expense hike (reaching more than 3.7x YoY) was mainly driven by foreign currency appreciation.
- Net debt/EBITDA on an annualized basis came almost flat at 1.5x vs. 1.4x in FY 2022 despite the 51% upside in gross debt due to foreign currency exposure revaluation.

## Net profit

- Net profit grew 48% YoY, reaching EGP 9.1bn, driven by strong operational performance and higher investment income, which negated the higher interest expense and D&A costs.

# Income statement (Q3 2023)

In EGP mn	9M 2023	9M 2022	YoY	Q3 2023	Q2 2023	Q3 2022	QoQ	YoY
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EPS	5.36	3.61	48%	1.44	1.69	1.40	-15%	3%

\* COGS exclude employee & call costs. S&D and G&A exclude employee costs & D&A

Note: All financial figures reported are based on the consolidated financials under the Egyptian Accounting Standards

## Revenue

- Wholesale revenue increased by 19% YoY, making up 43% of the total revenue, backed by a notable increase in ICA on 73% higher IDD revenues.
- Retail revenue witnessed 15% YoY improvement, thanks to higher data revenue and a growing customer base across the board.

## Expenses

- Salaries grew 23% YoY but remained flat QoQ due to management's initiative to compensate employees for the currency depreciation through a salary increase in April, which took its toll on both this quarter and Q2. However, as a % of sales, salary costs reached 19%, +106 bps YoY.

## EBITDA

- EBITDA increased 7% YoY, marking a 41% margin and exceeding management's guidance of mid-to-high 30s.

## Other OPEX

- D&A jumped 37% YoY in line with the increased CapEx.
- Operating profit slightly decreased by 8% YoY, landing at EGP 3.2bn, on higher D&A costs, and the aforementioned increase in costs (salaries).

## Non-operational

- Investment income grew 46% organically, owing to strong operational performance.
- Interest expense inflated by 3.4x YoY, mainly driven by the USD appreciation.

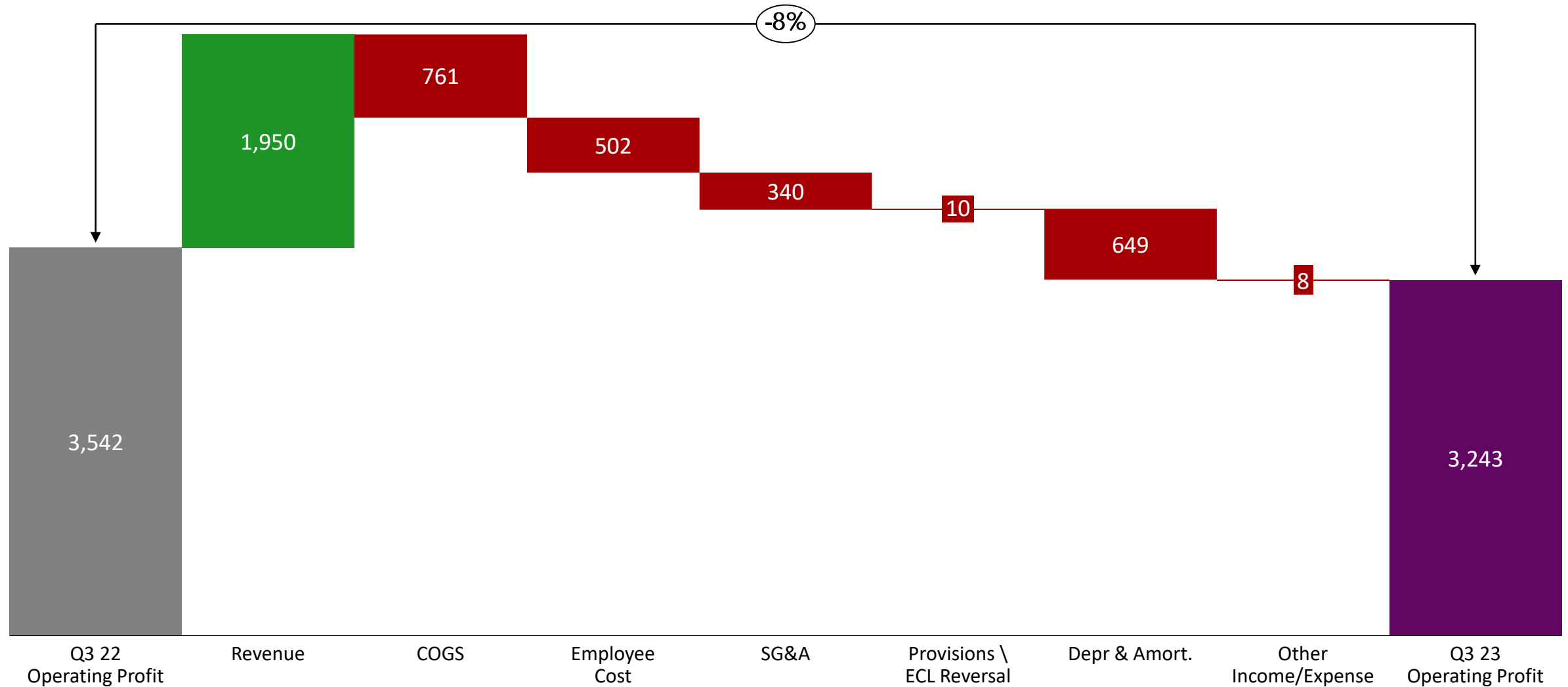
## Net profit

- Net profit was almost flat YoY at EGP 2.5bn, implying a margin of 17.7%
- (-238bps) YoY.

# Operating profit

Q3 2023 (YoY)

we



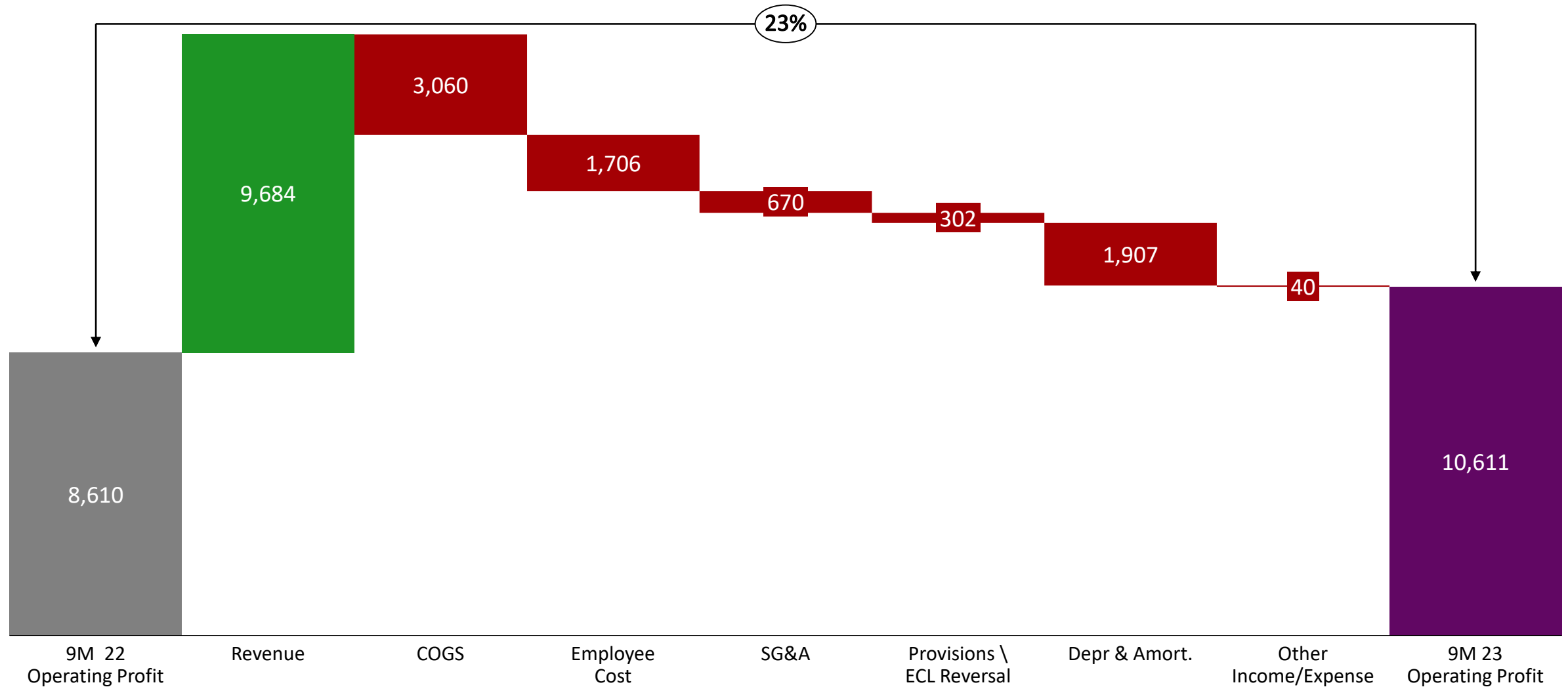
*Note: All financial figures are in EGP million*



# Operating profit

9M 2023 (YoY)

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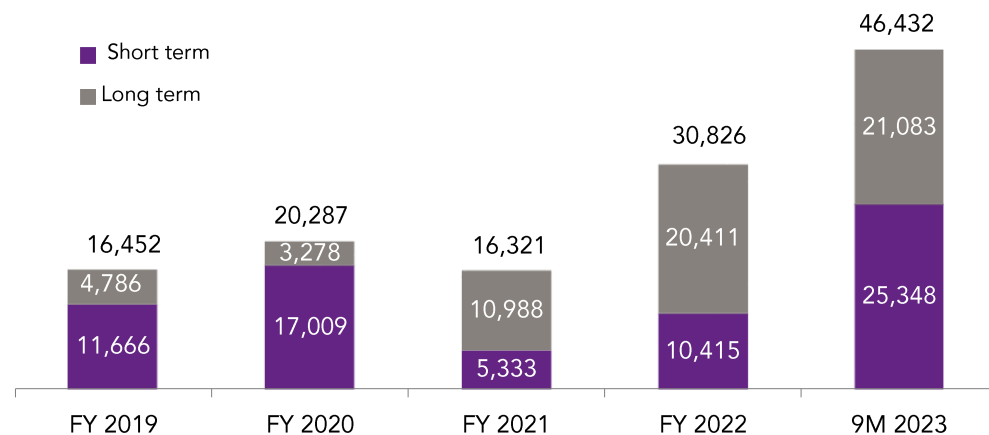


Note: All financial figures are in EGP million

# Balance sheet highlights

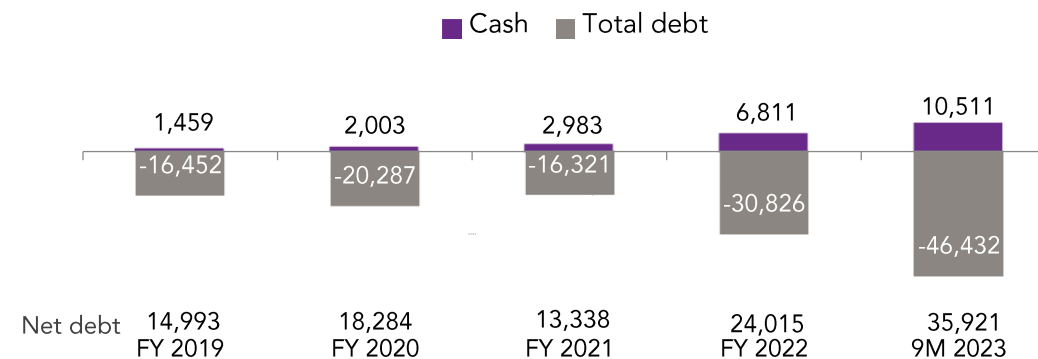
## Total debt

(EGP mn)



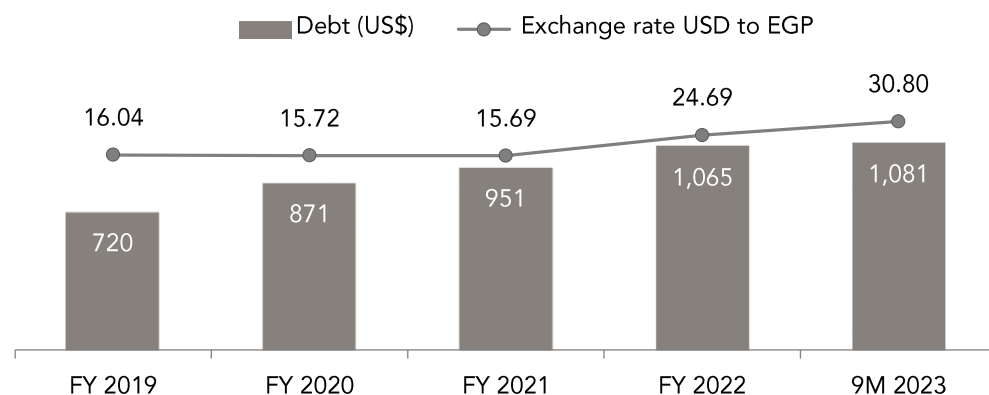
## Net debt

(EGP mn)



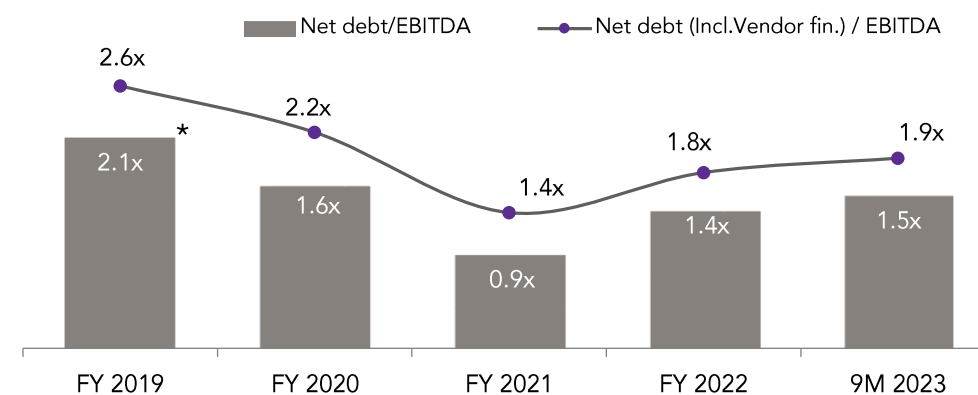
## Debt – Hard currency portion

(EGP mn)



## Net debt/ EBITDA

(Based on annualized EBITDA)



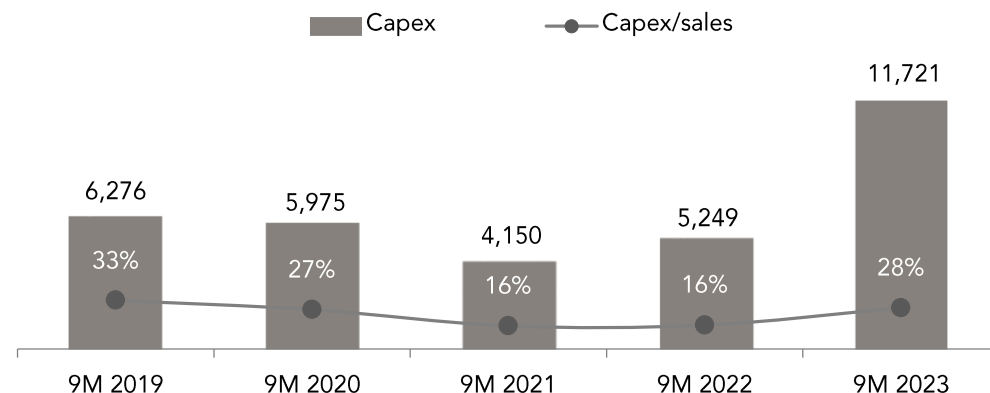
\* Adjusted for the ERP total cost of EGP 1.3bn

# CapEx analysis

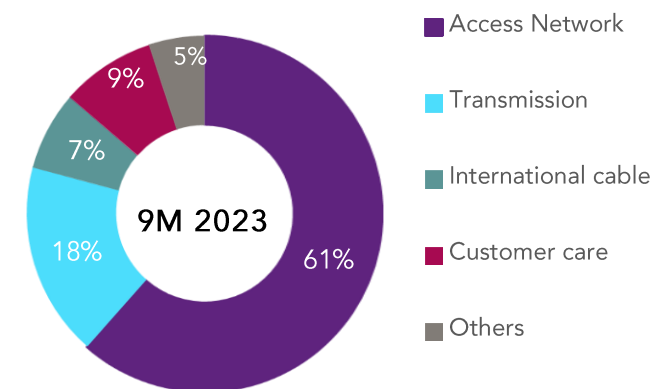


## In-service CapEx

(EGP mn)

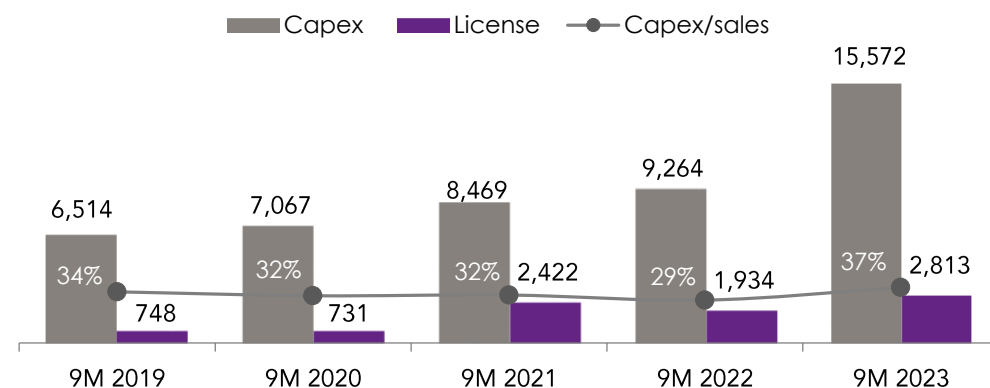


## Breakdown of in-service CapEx



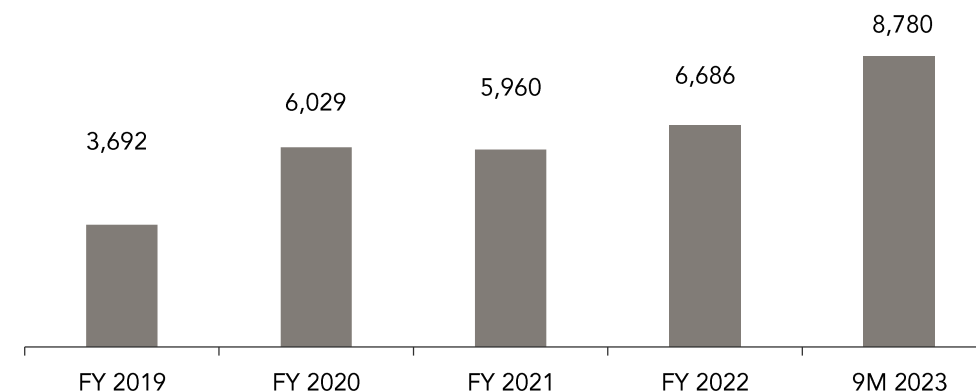
## Cash CapEx

(EGP mn)



## \* Vendor financing obligations

(EGP mn)



\* High CapEx figures are due to increase procurement and upfront settlement of obligations

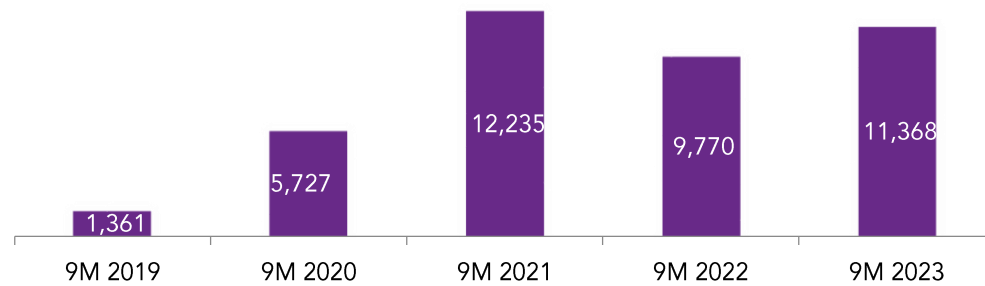
Note: All financial figures reported are based on consolidated financials under the Egyptian Accounting Standards

\* Based on USD and EURO exchange rates as of 30 September 2023

# Cash flow analysis

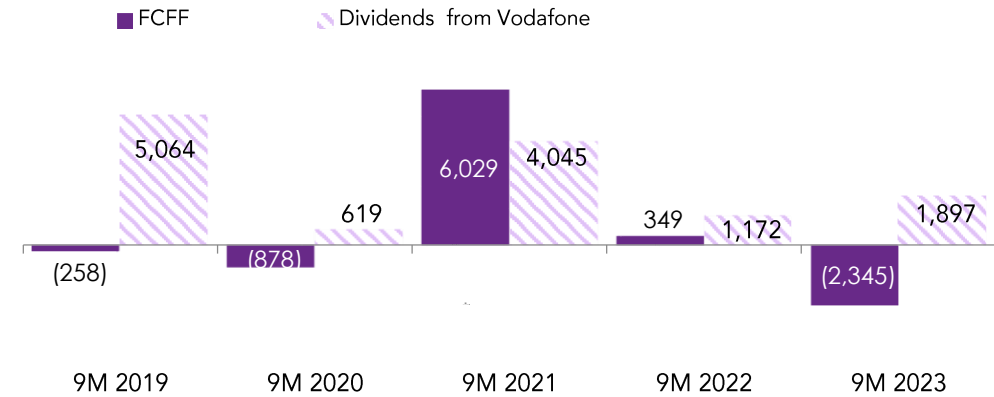
## Net cash from operating activities

(EGP mn)



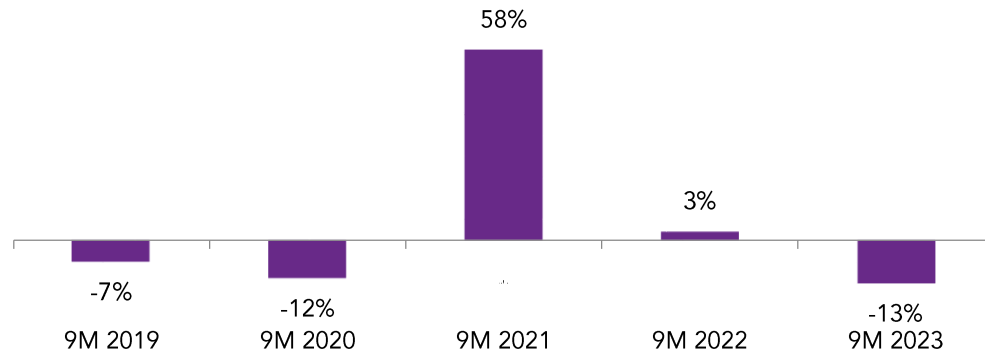
## FCFF

(EGP mn)



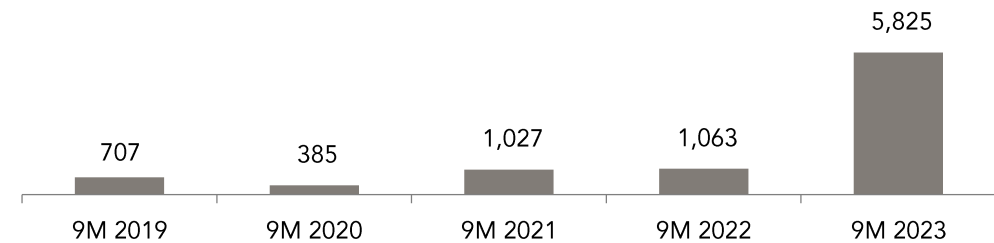
## FCFF/EBITDA

(EGP mn)



## FCFE

(EGP mn)



# Our performance in context

	9M 2023 actual	FY 2023 budget
Revenue growth YoY	30%	Early double digit
EBITDA margin (%)	42%	Mid-to-high 30s
CapEx/sales (%)	In-service: 28% Cash: 37%	In-service: Early 20s
FCFF/EBITDA (%)	-13%	Mid-20s





# Thank You

Investor relations team  
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Check our website  
[ir.te.eg](http://ir.te.eg)