

Results presentation telecomegypt Q1 2023



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Q1 2023 results highlights

Wholesale starts 2023 on a high note

we

Revenue
(EGP bn)

14.0bn

48% YoY / 16% QoQ

Customers
(mn)

	Voice	Data
Fixed	11.7 +5% YoY	8.9 +7% YoY
Mobile	12.4 +22% YoY	

EBITDA
(EGP bn)

6.1bn

72% YoY / 50% QoQ

Net profit
(EGP bn)

3.8bn

179% YoY / 27% QoQ
*Adjusted 144% / 38% QoQ

EBITDA margin of 44%, +601 bps YoY/+993 bps QoQ

Net profit margin of 27%, +1281 bps YoY/+222bps QoQ

Q1 2023: A promising start to the year fueled by robust performance

- ✓ **Total revenue** increased by EGP 4.5bn YoY, landing at EGP 14bn. The growth was mainly driven by almost double wholesale revenues YoY--constituting 70% of top line growth--in light of higher revenues supported by local and Int'l IRU sales and USD appreciation vs. EGP.
- ✓ **Customer base** continued to expand on all fronts YoY.
- ✓ **EBITDA** up a remarkable 72% YoY, reaching a 44% margin thanks to revenue growth across the board and cost savings, namely our new national roaming agreement, helping soften the inflationary costs witnessed across other items.
- ✓ **Normalized operating profit** jumped 101% YoY based on strong operational performance, offsetting the 31% increase in D&A costs YoY.
- ✓ Income from investments (VFE) marked an organic surge of 82% YoY.
- ✓ Normalized **net profit** spiked up 144% YoY, reaching EGP 4.1bn, in light of healthy margins and increased investment income--together overshadowing the higher D&A and finance costs.
- ✓ Net debt/EBITDA on an annualized basis recorded 1.2x vs. 1.4x in FY 2022, despite revaluation of the outstanding debt to reflect the USD appreciation vs. EGP.
- ✓ FCF landed at 0.6bn (FCF/EBITDA of 9%); however, excluding the last tranche of the new spectrum, it reaches EGP 2.6bn (FCF/EBITDA of 43%).

Consensus estimates (Q1 2023)

	Revenue	EBITDA	EBITDA margin	Net profit
In EGP million				
Analyst 1	12,474	4,718	37.8%	2,515
Analyst 2	12,287	5,030	40.9%	2,437
Analyst 3	12,007	4,647	38.7%	2,035
Analyst 4	11,953	4,609	38.6%	2,259
Analyst 5	12,030	5,019	41.7%	2,648
Analyst 6	11,585	4,251	36.7%	1,593
Analyst 7	11,951	4,231	35.4%	1,812
Average of estimates	12,041	4,644	38.5%	2,186
Median	12,007	4,647	38.6%	2,259
High	12,474	5,030	41.7%	2,648
Low	11,585	4,231	35.4%	1,593
Telecom Egypt results	13,959	6,083	43.6%	3,816
Variance	15.9%	31%	505bps	74.6%

Highlights of the main events in Q1 2023

Main events in the quarter



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.

[Read More](#)



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

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Main events subsequent to the quarter



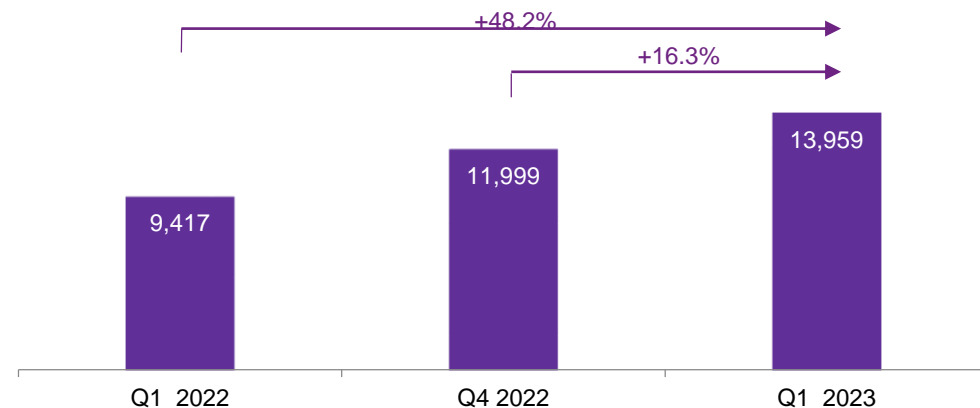
10 May: Within its continuous efforts to enhance its value proposition, Telecom Egypt announced the recent successful landing of the 2Africa subsea cable in Port Said. This milestone marks the second and final 2Africa landing in Egypt, coming five months after the first landing in the Red Sea city of Ras Ghareb.

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Financial highlights

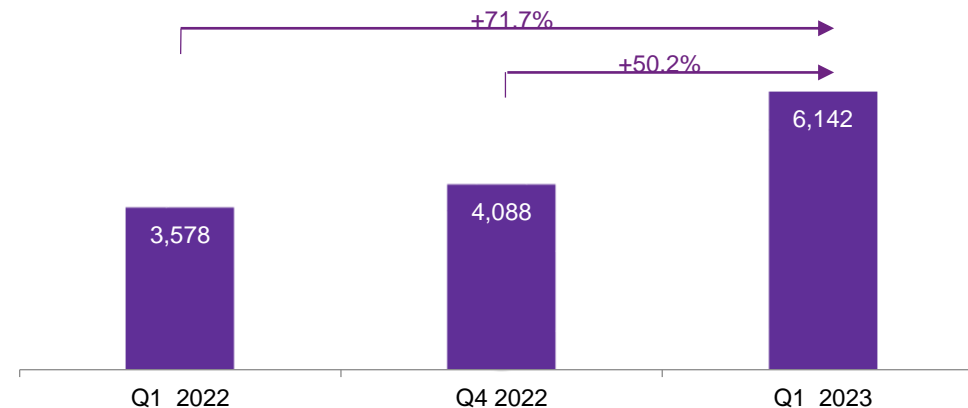
Revenue

(EGP mn)



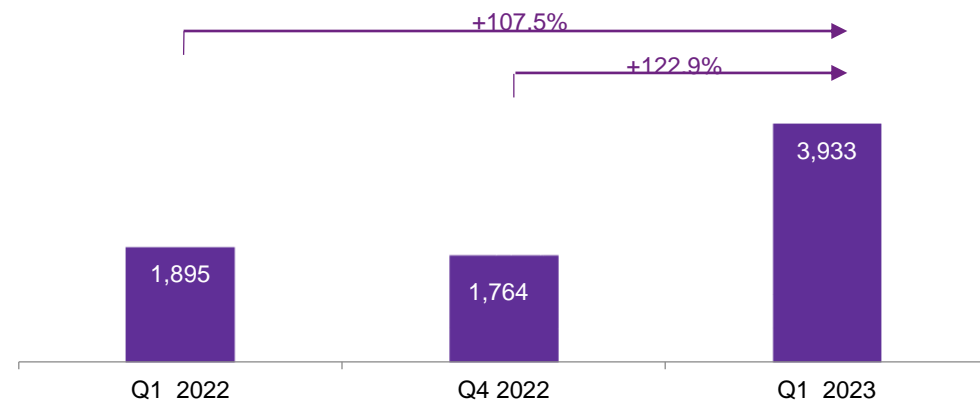
EBITDA

(EGP mn)



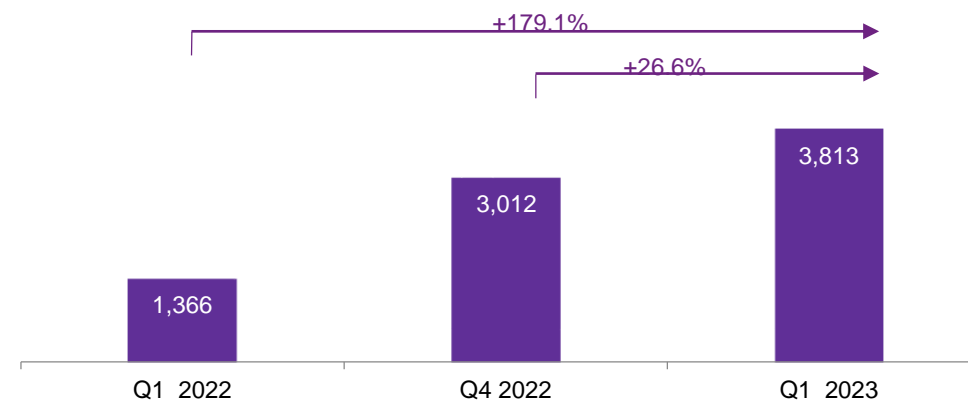
Operating profit

(EGP mn)



Net profit

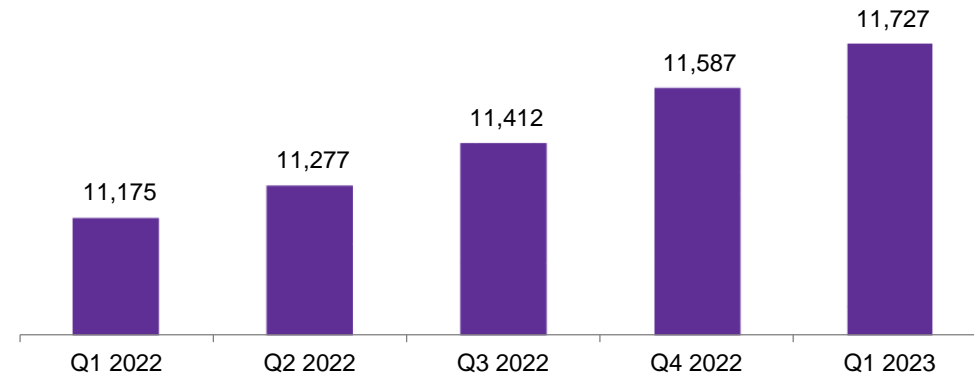
(EGP mn)



Customer base and ARPU

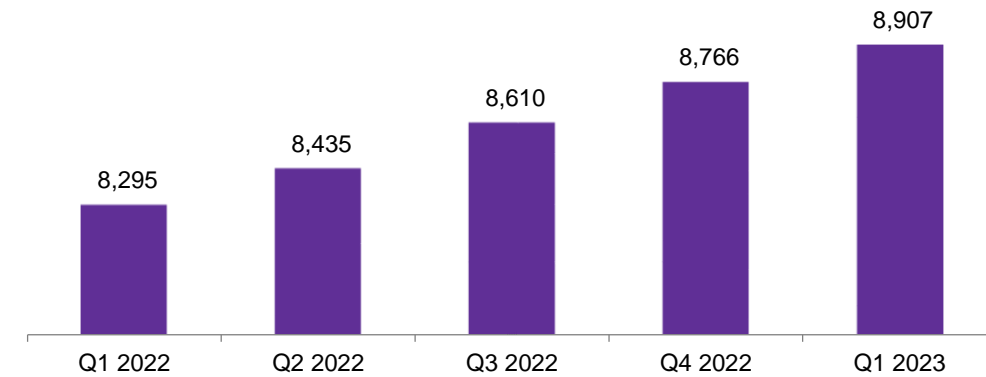
Fixed line

(In 000s)



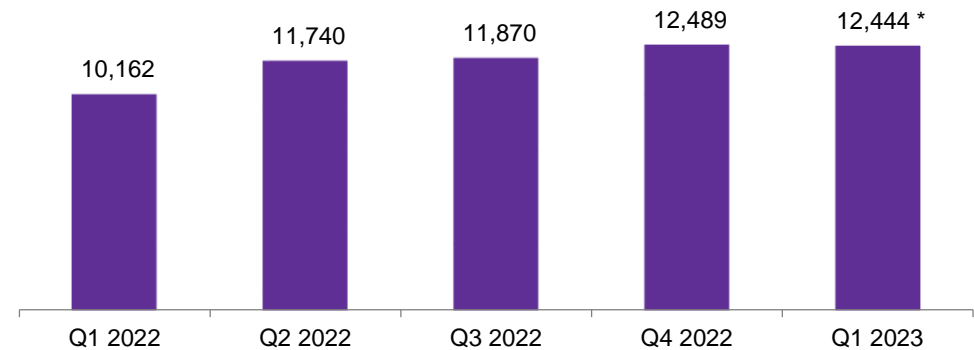
Fixed broadband

(In 000s)



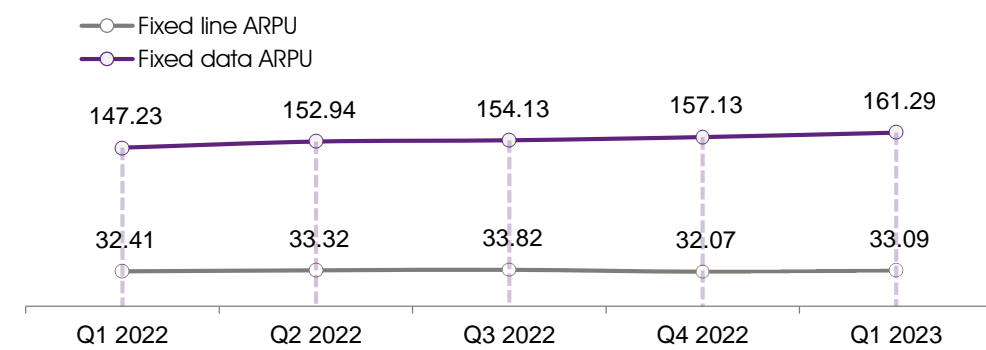
Mobile

(In 000s)



ARPU

(In EGP)

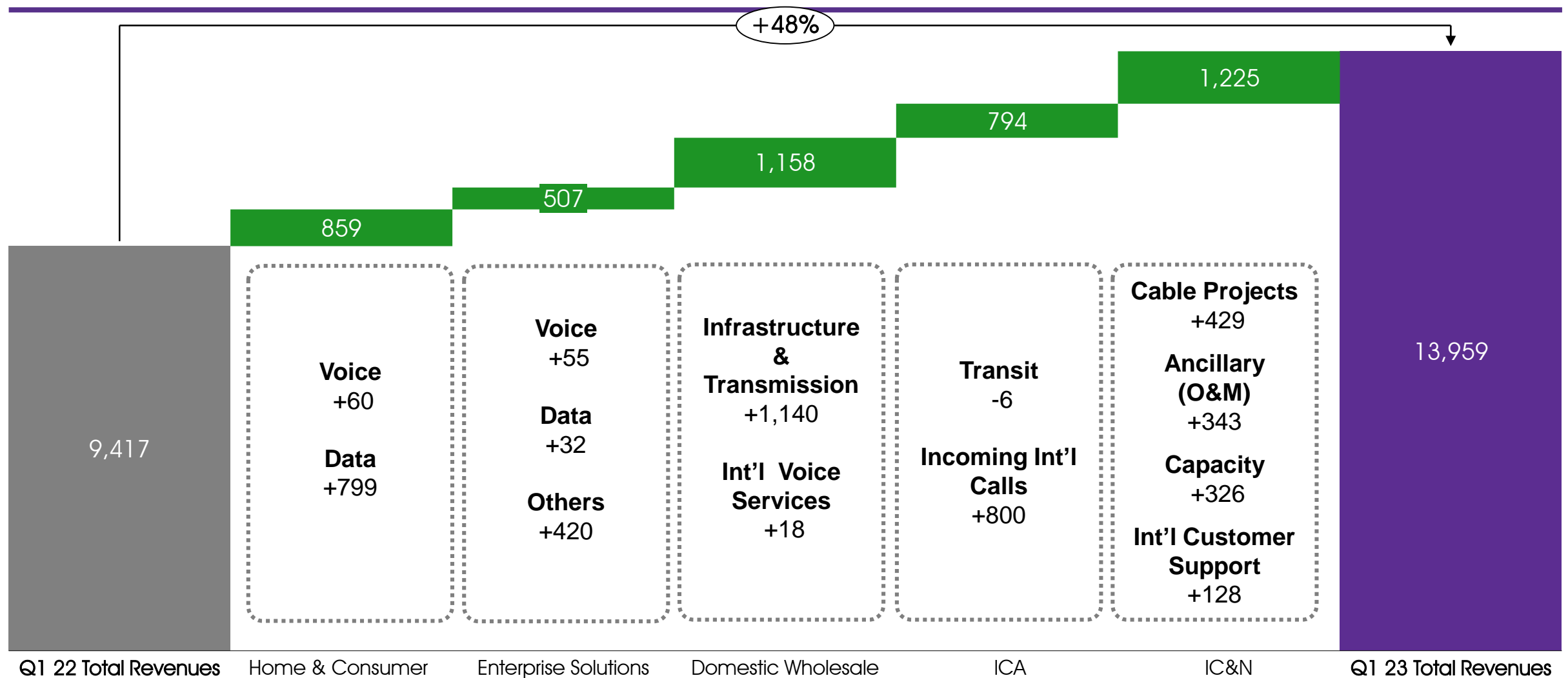


*The slight decline Included the end of life cycle for about 0.5mn customers previously enrolled under the schools' project.

Total revenues

Q1 2023 YoY

we

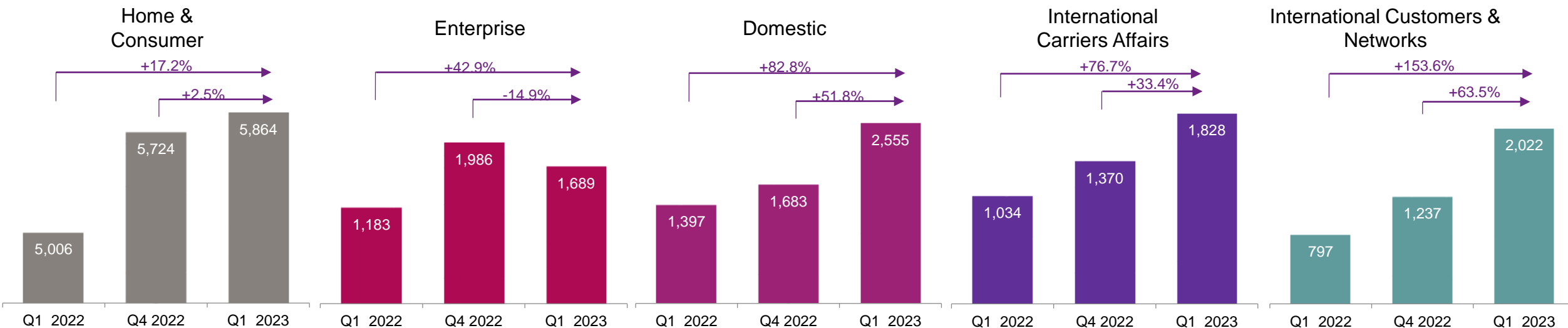


Note: All financial figures are in EGP million

Revenue by business unit

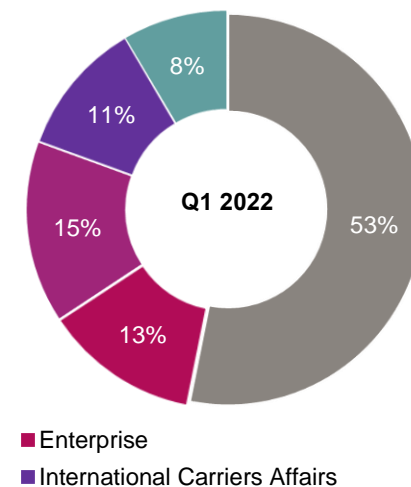
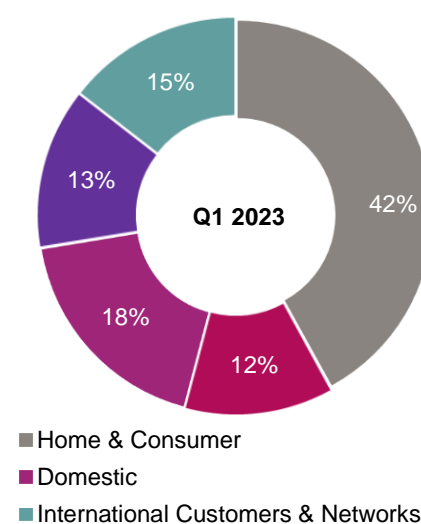
Wholesale outperforming retail growth

we



Q1 2023 performance

- ✓ Top line spiked up 48% YoY, thanks to the growth witnessed across all business units.
- ✓ Retail amounted to EGP 7.6bn, marking a 22% YoY increase and representing 54% of the top line, thanks to the expanding customer base and healthy ARPU trends. As always, data revenue was the key contributor, comprising 61% of retail growth YoY. Meanwhile, enterprise increased by 43% YoY, mainly due to growing subsidiaries and managed data revenues by EGP 152mn and EGP 138mn, respectively.
- ✓ Mobile grew 19% YoY thanks to a 22% YoY increase in the customer base, representing an early double-digit of retail revenue growth.
- ✓ Wholesale soared by 98% YoY, on higher infrastructure and transmission revenues amounting to 86% YoY due to exceptional IRU circuit sales to MNOs (+EGP 0.9 bn vs. Q1 22), followed by growing int'l incoming call revenues (+EGP 0.8bn) supported by 21% higher traffic and appreciation of the USD against EGP.
- ✓ IC&N grew 154% YoY, thanks to higher IRU capacity sales to tech-giants and ancillary services (O&M) exceptional tickets in colocation and repair services.



Income statement (Q1 2023)

In EGP mn	Q1 2023	Q4 2022	Q1 2022	QoQ	YoY
Revenue	13,959	11,999	9,417	16%	48%
Home	5,864	5,724	5,006	2%	17%
Enterprise	1,689	1,986	1,183	-15%	43%
Domestic	2,555	1,683	1,397	52%	83%
ICA	1,828	1,370	1,034	33%	77%
IC&N	2,022	1,237	797	63%	154%
Employee cost	(2,506)	(2,445)	(1,958)	2%	28%
Call costs	(1,940)	(1,890)	(1,528)	3%	27%
CoGS*	(2,635)	(2,653)	(1,731)	-1%	52%
S&D*	(456)	(488)	(424)	-7%	7%
G&A*	(281)	(435)	(197)	-35%	42%
EBITDA	6,142	4,088	3,578	50%	72%
<i>Margin</i>	<i>44%</i>	<i>34%</i>	<i>38%</i>	<i>993 bps</i>	<i>601 bps</i>
Other (expense)/income	(30)	16	31	-288%	-196%
Depreciation	(1,644)	(1,502)	(1,286)	9%	28%
Amortization	(509)	(425)	(358)	20%	42%
(Prov.)/Reversal of ECL provision	(25)	(412)	(70)	-94%	-64%
Operating profit	3,933	1,764	1,895	123%	108%
<i>Margin</i>	<i>28%</i>	<i>15%</i>	<i>20%</i>	<i>1,348 bps</i>	<i>805 bps</i>
Income from investments	894	647	317	38%	182%
Net finance (cost)/income	(376)	292	(186)	-229%	102%
Net interest (exp.)/income	(652)	(408)	(154)	60%	324%
Tax	15	719	(506)	-98%	-103%
Net Profit	3,813	3,012	1,366	27%	179%
<i>Margin</i>	<i>27%</i>	<i>25%</i>	<i>15%</i>	<i>222 bps</i>	<i>1,281 bps</i>
Net Profit (Adj.) **	4,104	2,968	1,685	38%	144%
<i>Margin</i>	<i>29%</i>	<i>25%</i>	<i>18%</i>	<i>466 bps</i>	<i>1,150 bps</i>
EPS	2.23	1.76	0.80	27%	179%

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

** Adjusted for the impact of non-operational items including VFE one-offs, provisions & FX.

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

Revenue

- Home revenue climbed 17% YoY due to higher data and voice operational and financial KPIs.
- International business units, namely ICA & IC&N were positively impacted, not only thanks to the USD appreciation vs. EGP, but also due to the growing revenues across the board, except for low-margin transit services.

Expenses

- Salaries increased by 28% YoY, due to two rounds of salary raises over the last 12 months; nonetheless, as a % of top line, employee cost decreased by 284 bps YoY, reaching 18%.
- Total call costs as a % of revenue declined by 233 bps YoY, despite the increase in local and int'l voice revenues, thanks to the recently sealed national roaming agreement.

EBITDA

- EBITDA grew impressively by 72% YoY, recording a robust margin of 44%, mainly driven by high-margin revenues.

Other OPEX

- D&A increased by 31% due to higher capex rollout and the amortization impact of the newly acquired spectrum.

Non-operational

- Investment income from VFE spiked up 182% YoY; however, excluding FX loss related to the revaluation of obligations, investment income grew 82% organically.
- Despite the 34% QoQ increase in gross debt, amounting to EGP 41.4bn-- and the related higher interest expense by default--TE's net debt/EBITDA ratio on an annualized basis improved, recording 1.2x in Q1 2023 vs. 1.4x in FY 2022.

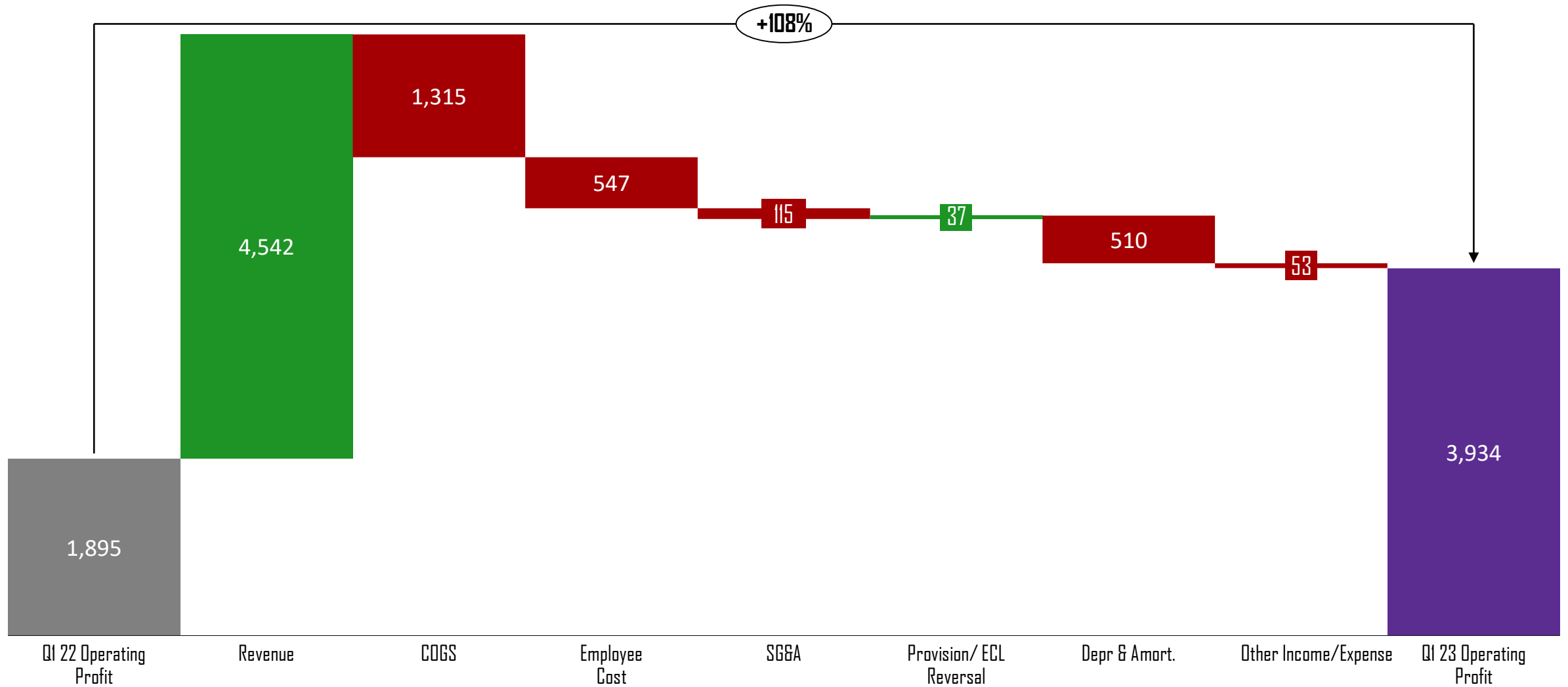
Net profit

- Normalized net profit jumped up 144%, driven by stellar operating performance and higher investment income, despite the increase in D&A costs.

Operating profit

Q1 2023 (YoY)

we

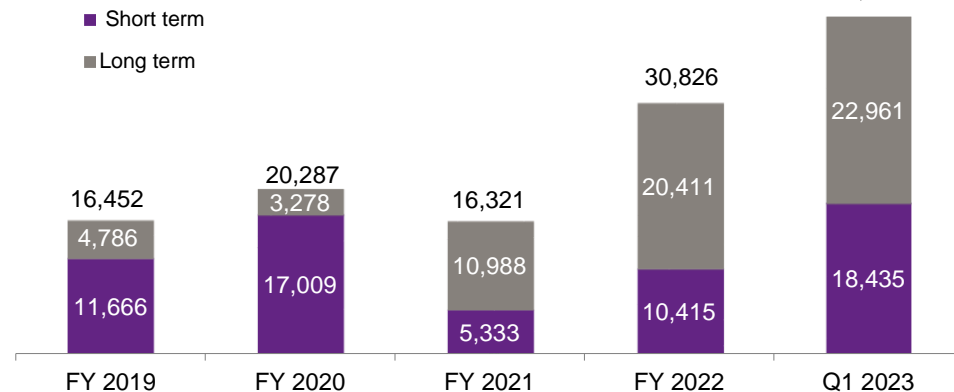


Note: All financial figures are in EGP million

Balance sheet highlights

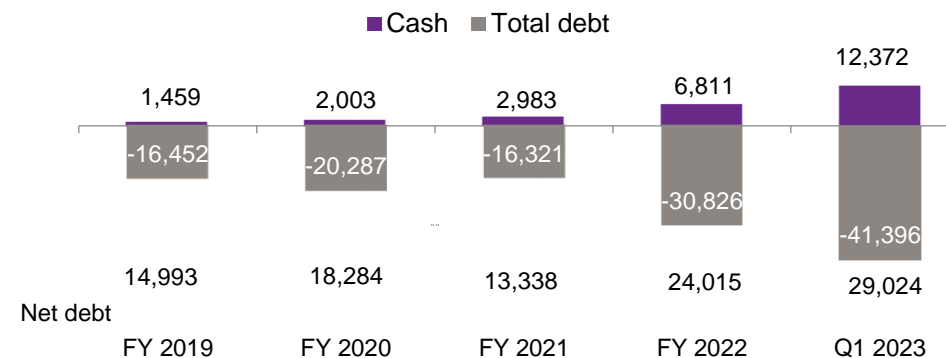
Total debt

(EGP mn)



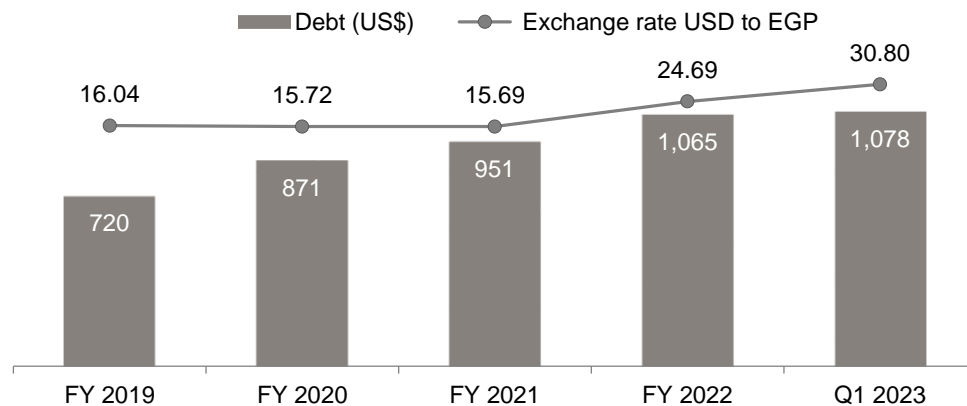
Net debt

(EGP mn)



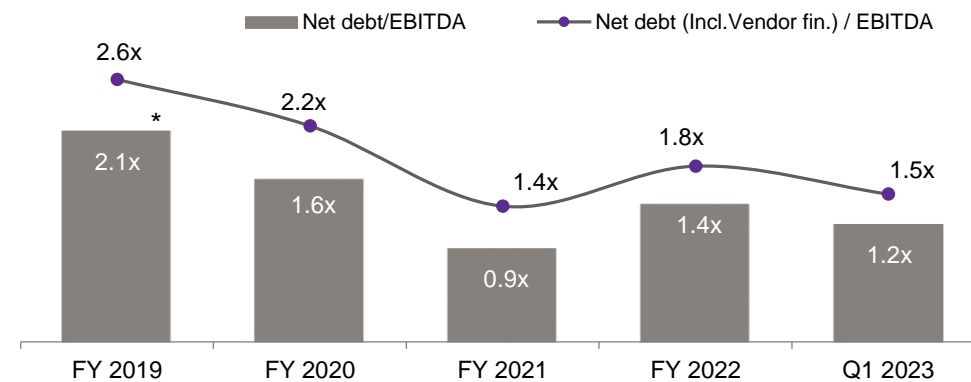
Debt – Hard currency portion

(EGP mn)



Net debt/EBITDA

(Based on annualized EBITDA)

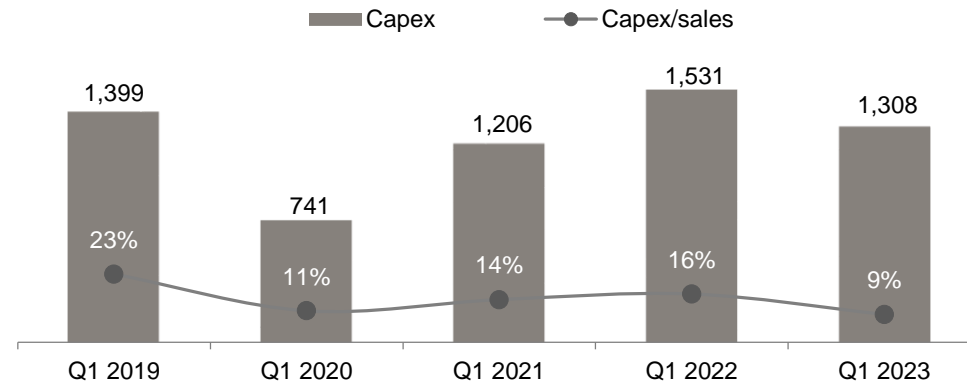


* Adjusted for the ERP total cost of EGP 1.3bn

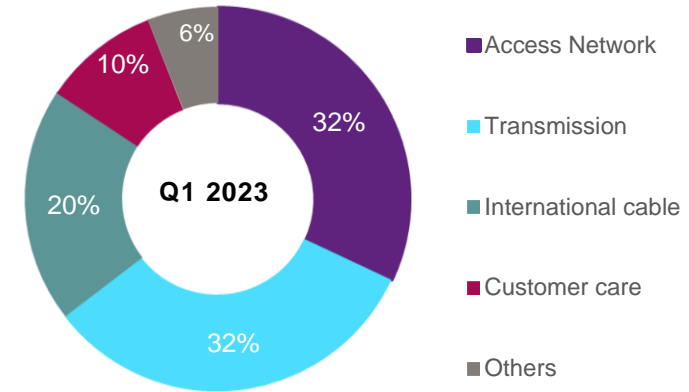
Capex analysis

In-service capex

(EGP mn)

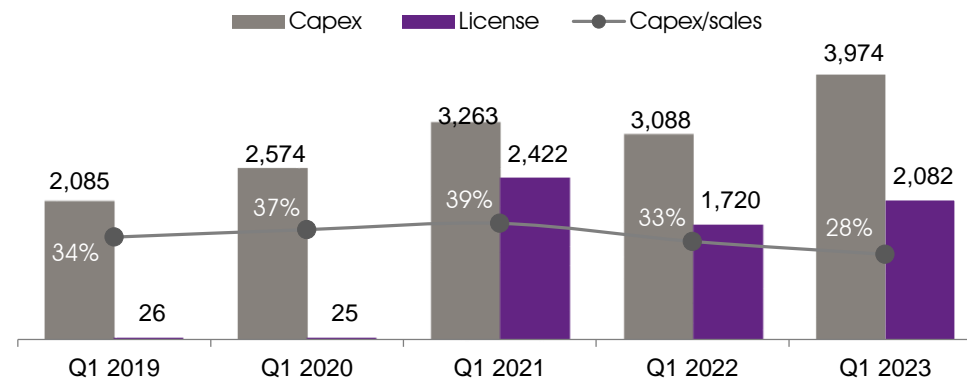


Breakdown of in-service capex



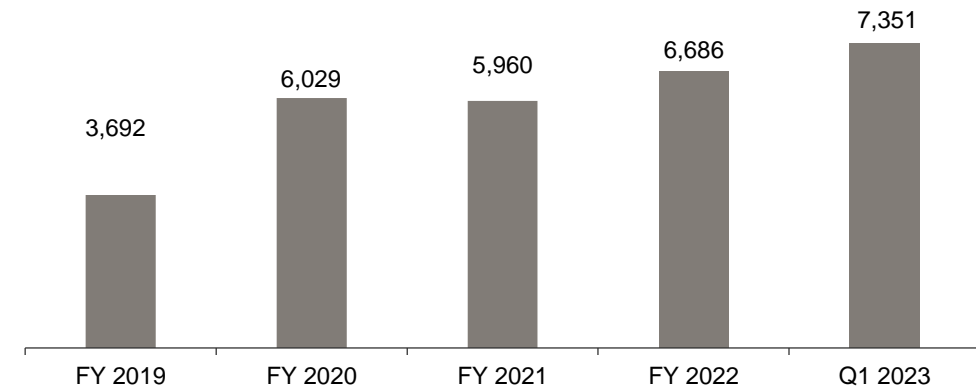
Cash capex

(EGP mn)



Vendor financing obligation *

(EGP mn)

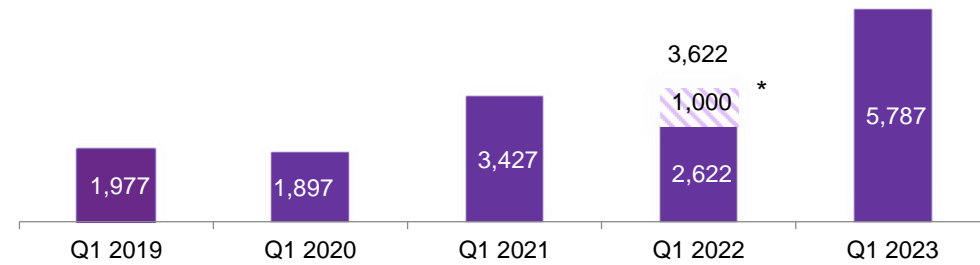


* Based on USD and EURO exchange rates as of 31 March 2023

Cash flow analysis

Net cash from operating activities

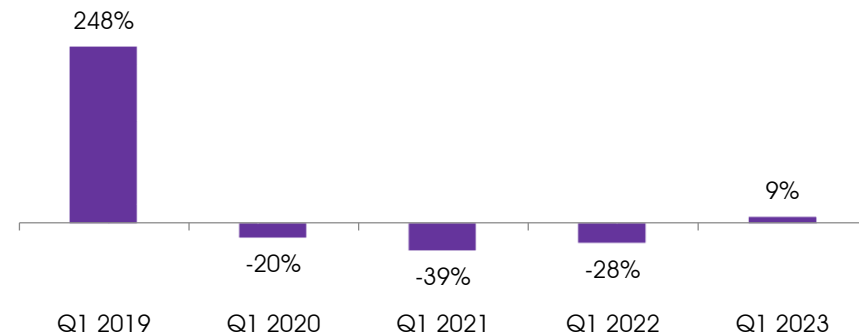
(EGP mn)



*Included government payments for disputed amounts settled in Q2 from its 2021 share of dividends

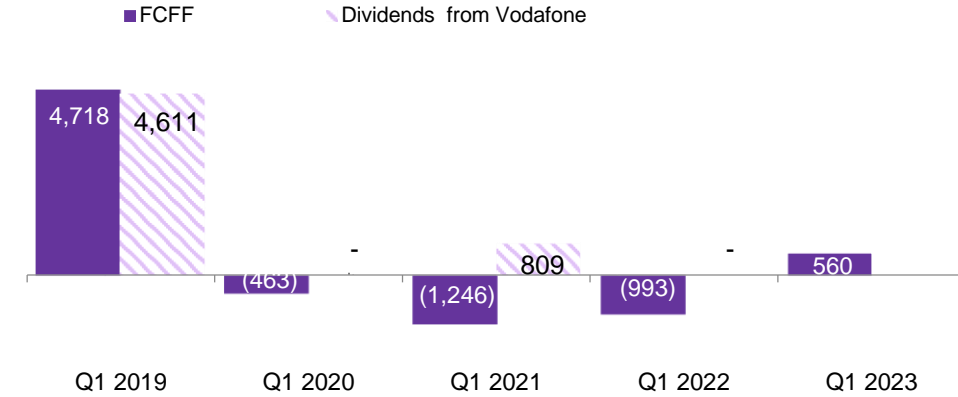
FCFF/EBITDA

(EGP mn)



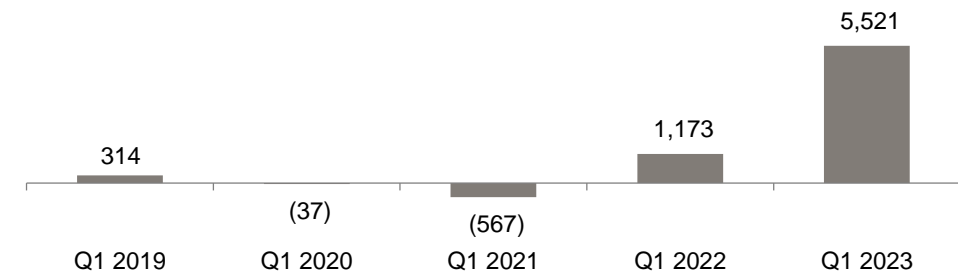
FCFF

(EGP mn)



FCFE

(EGP mn)



Our performance in context

	Q1 2023 actual	FY 2023 budget
Revenue growth YoY	48%	Early double digit
EBITDA margin (%)	44%	Mid-to-high 30s
Capex/sales (%)	In-service: 9% Cash: 28%	In-service: Early 20s
FCF/EBITDA (%)	9% [*]	Mid-20s

* Adjusted for the EGP 2.1bn paid as a last tranche for the spectrum acquired earlier in the quarter, FCF/EBITDA reaches 43%.



Thank You