Results presentation
telecomegypt

FY 2023



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FY 2023 results highlights

Positive momentum maintained

Revenue
(EGP bn)

56.7bn

28% YoY

Customers
(mn)

	Voice	Data
Fixed	12.5 +8% YoY	9.5 +9% YoY
Mobile	12.4 0% YoY	

EBITDA
(EGP bn)

22.7bn

30% YoY

EBITDA margin of 40%, +62 bps YoY

Net profit
(EGP bn)

11.5bn

25% YoY

Net profit margin of 20%, -51bps YoY

FY 2023: Strong operations outweigh inflationary pressures

- ✓ **Total revenue** increased 28% YoY, with data being the largest contributor with 18% YoY growth, followed by infrastructure, IDD and cable projects growth of 27%, 76%, and 64%, respectively.
- ✓ **Fixed voice** and **data subscriber** growth continued, while **mobile subscriber** growth was flat.
- ✓ **EBITDA** up 30% YoY, marking a robust 40% margin - just ahead of management's guidance. This was mainly driven by strong operational results and savings from the new national roaming agreement, which offset rising costs due to inflation.
- ✓ **Operating profit** increased 28% YoY on higher operating performance, offsetting 27% higher direct costs.
- ✓ **Net profit** increased by 25% YoY to reach EGP 11.5bn.
- ✓ **Net operating cash flow** landed at EGP 16.9bn. Meanwhile, **FCFF** reached a negative EGP 3.6bn, mostly as a result of expediting vendor payments to meet CapEx requirements and protect against anticipated FX volatility.
- ✓ **Net debt/EBITDA** reached 1.7x vs. 1.4x in FY 2022 due to currency devaluation, as 66% of the debt is foreign currency denominated.
- ✓ Although global & local headwinds persist, Telecom Egypt's BoD proposed dividends of EGP 1.5/share.

Q4 2023 results highlights

Revenue maintains growth record

Revenue
(EGP bn)

14.7bn

+23% YoY / 7% QoQ

Customers
(mn)

	Voice	Data
Fixed	12.5 +8% YoY	9.5 +9% YoY
Mobile	12.4 0% YoY	

EBITDA
(EGP bn)

5.1bn

+24% YoY / -10% QoQ

EBITDA margin of 35%, 40 bps YoY, -624 bps QoQ

Net profit
(EGP bn)

2.3bn

-23% YoY / -6% QoQ

Net profit margin of 16%, -936 bps YoY, -200 bps QoQ

Q4 2023: Strong wholesale upholding revenue streak

- ✓ Robust revenue growth of 23% YoY, propelled significantly by an expansion in wholesale revenue. This upsurge was largely attributable to IC&N (+108% YoY), driven by higher cable projects and capacity sales.
- ✓ **EBITDA** recorded EGP 5.1bn, up 24% YoY—noting an almost flat margin of 35%, impacted by the inflationary pressures across different cost elements.
- ✓ **Operating profit** increased by 69% YoY, equating to EGP 1.7bn, as strong operations overshadowed the higher D&A costs.
- ✓ **VFE's investment income** witnessed a significant upturn, reporting a YoY surge of 143% and sequential growth of 10% from Q3 2023. This remarkable performance culminated in a total income of EGP 1.6bn.
- ✓ **Net profit** amounted to EGP 2.3bn, down 23% YoY, on a positive tax reversal base in the same period last year, in addition to 2.9x higher interest expense that reached EGP 1.3bn on higher FX rate, and 83% lower FX gains.

Consensus estimates (Q4 2023)

	Revenue	EBITDA	EBITDA margin	Net profit
In EGP million				
Analyst 1	14,589	6,268	43.0%	3,304
Analyst 2	13,648	4,708	34.5%	2,286
Analyst 3	14,170	5,655	39.9%	2,434
Analyst 4	13,419	5,157	38.4%	2,242
Average of estimates	13,957	5,447	39%	2,567
Median	**13,909**	**5,406**	**39.0%**	**2,360**
High	**14,589**	**6,268**	**43.0%**	**3,304**
Low	**13,419**	**4,708**	**34.5%**	**2,242**
Telecom Egypt results	14,721	5,074	34.5%	2,317
Variance	5.5%	-6.8%	-448bps	-9.7%

*Please refer to disclaimer on page 2

Highlights of the main events in Q4 2023

Main events in the quarter

04 Oct: Telecom Egypt and 4iG Plc, the Budapest-based info-communications company in Hungary and the Balkan region, signed a Memorandum of Understanding (MoU) to link Egypt and Albania.

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28 Nov: Telecom Egypt selected Raya Information Technology (Raya IT), a subsidiary of Raya Holding for Financial Investments, to implement the second phase of Telecom Egypt's Regional Data Hub (RDH).

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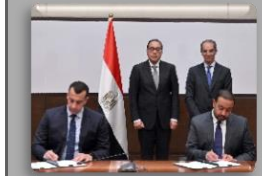
Main events subsequent to the quarter



17 Jan: The National Telecommunications Regulatory Authority (NTRA) granted Telecom Egypt the country's first license to install and operate fifth generation (5G) networks for mobile phones.

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25 Jan: In a ground-breaking move to enhance regional connectivity, Telecom Egypt joined forces with NaiTel, a licensed telecommunications service provider in Jordan, and the telecom arm of Aqaba Digital Hub. Together, they announced the signing of a Joint Build Agreement to construct Coral Bridge.

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01 Feb: 4iG Plc info-communications company and Telecom Egypt reached an agreement on the terms of cooperation for the construction of an express subsea cable between Albania and Egypt.

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07 Feb : e&, Telecom Egypt, Telin and a major Indian operator signed a new Memorandum of Understanding (MoU) to form a consortium with the aim to develop the ICE IV Project. This new Data Center (DC) to DC system shall seamlessly connect the Intra Asia region to India and the Middle East.

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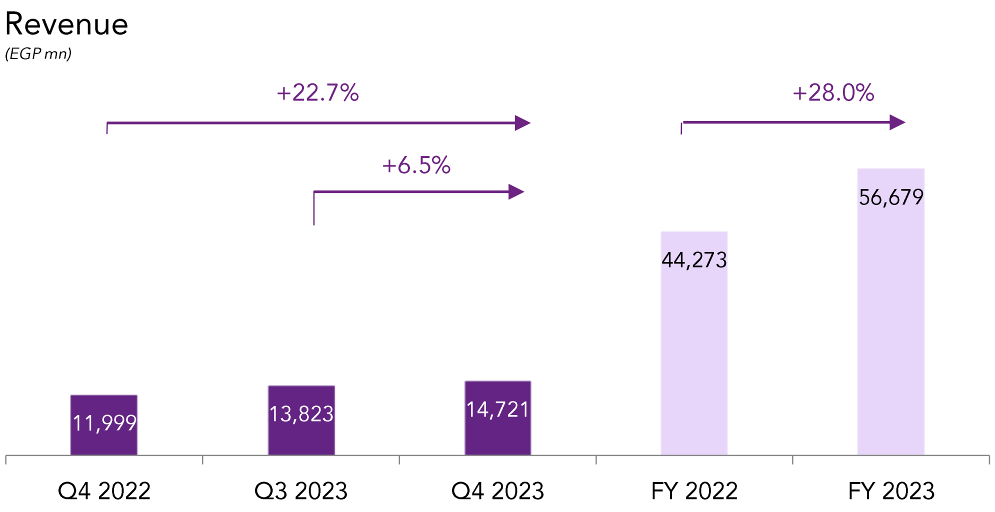
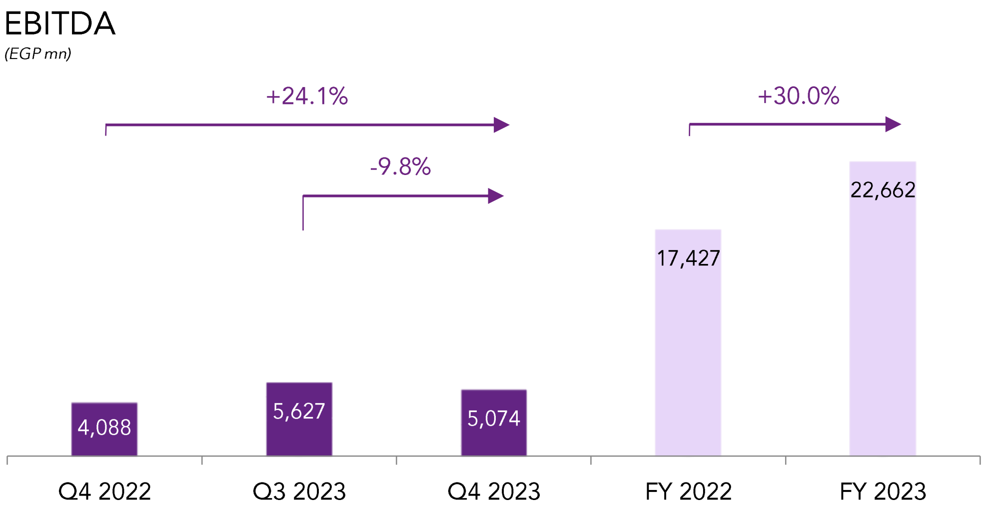
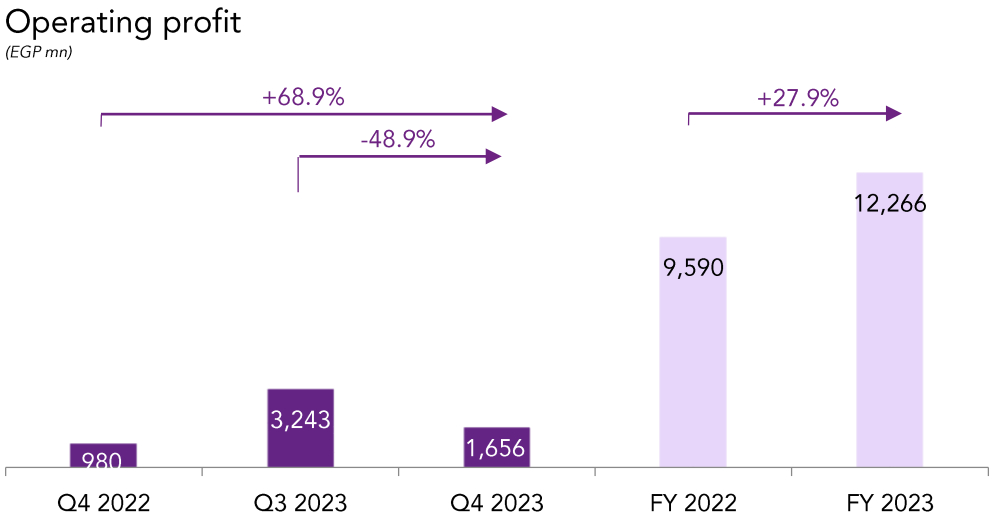
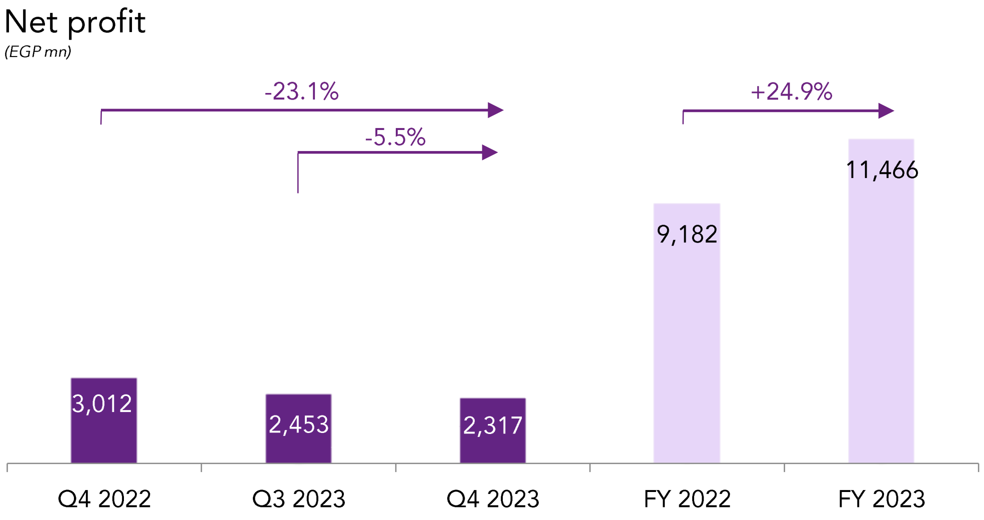
Financial highlights



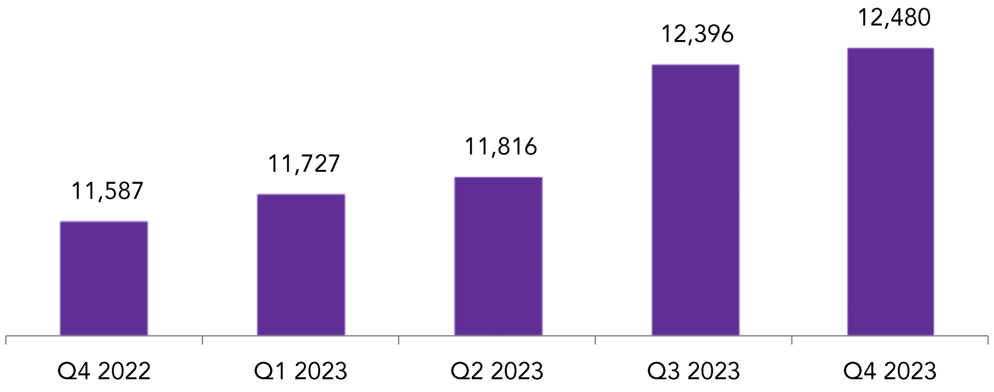




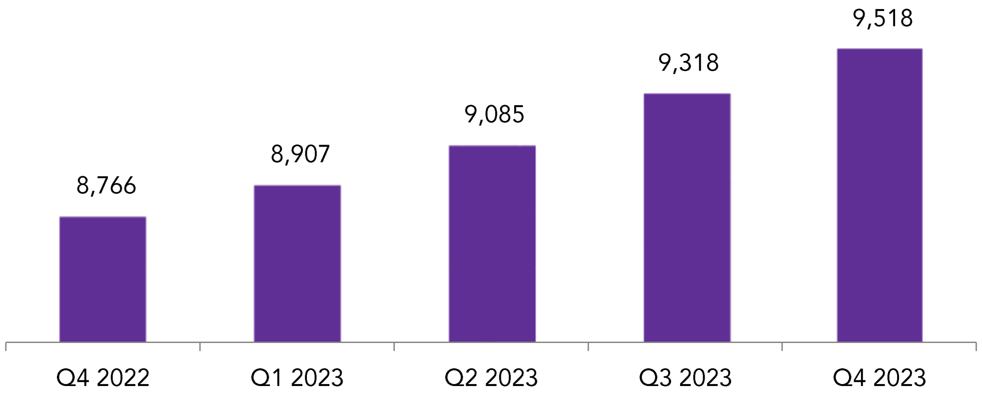


Customer base and ARPU

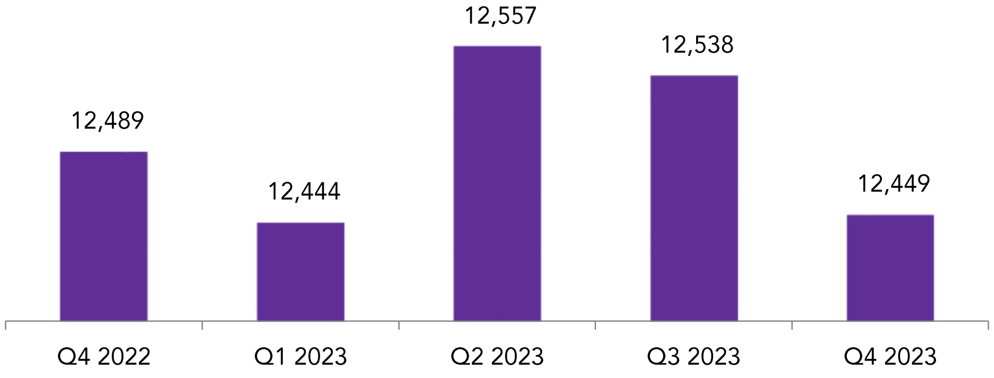
Fixed line
(In 000s)



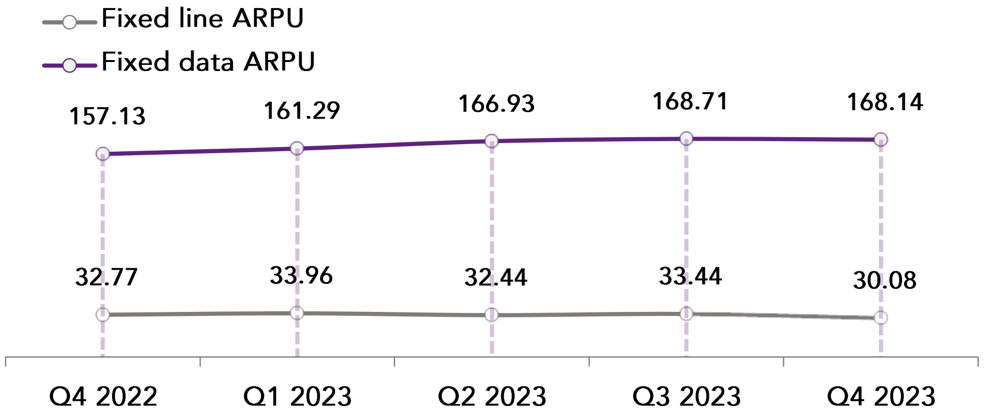
Fixed broadband
(In 000s)



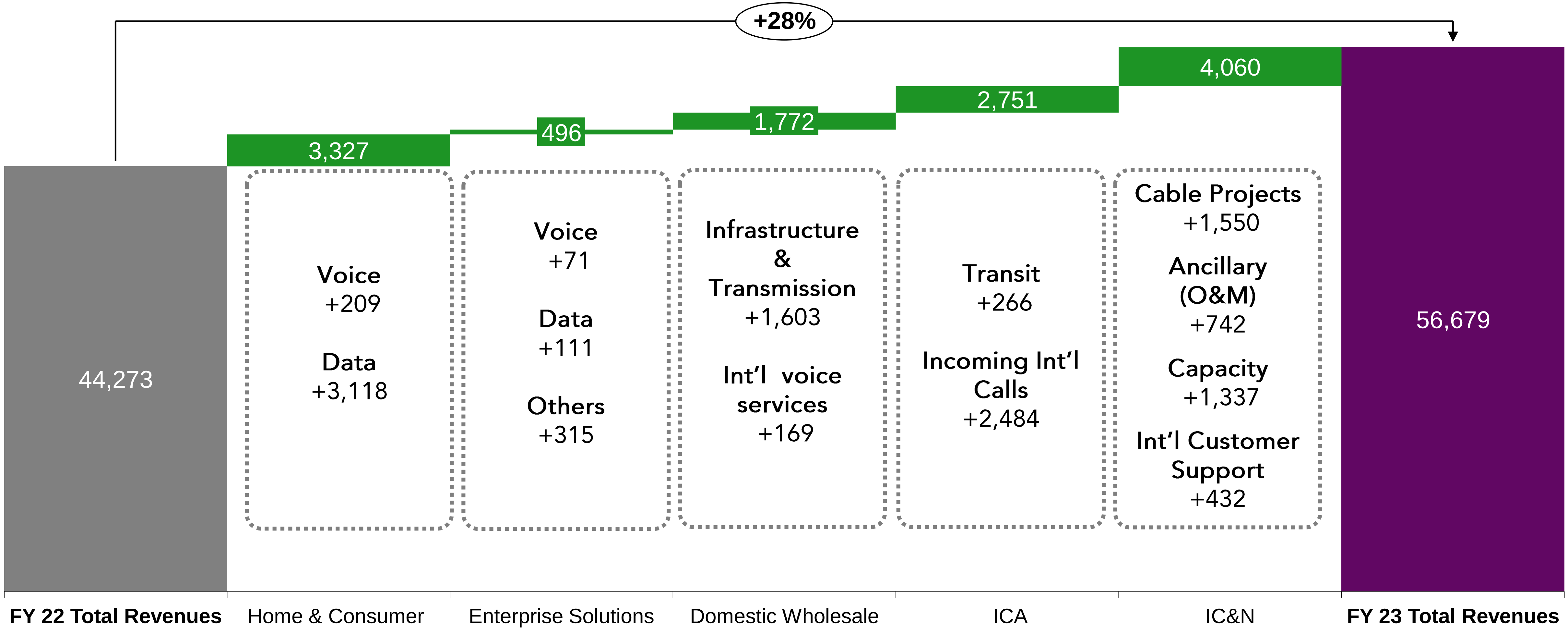
Mobile
(In 000s)



ARPU
(In EGP)



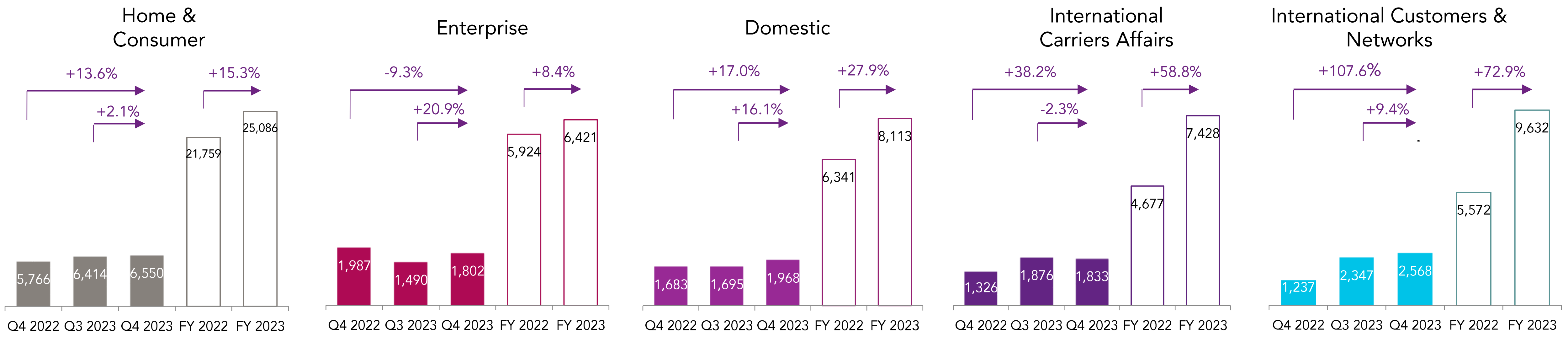
Total revenues
FY 2023 YoY



Note: *All financial figures are in EGP mn*

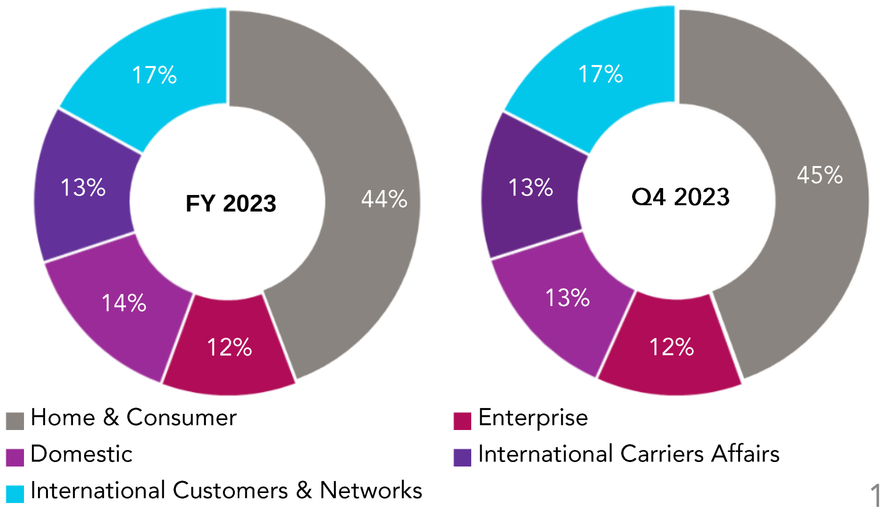
Revenue by business unit

Operational resilience backed by a strong revenue mix



FY 2023 performance

- ✓ **Total revenue** increased by 28% YoY, landing at an astounding EGP 56.7bn, with retail comprising 56% of the total revenue (driven by higher data revenue and other enterprise revenue) and wholesale growth mainly driven by higher USD denominated revenue streams.
- ✓ **Home & consumer** increased by 15% YoY, landing at EGP 25.1bn, mainly driven by 18% growth in data revenue from an expanding customer base and higher ARPU.
- ✓ **Enterprise** up 8% YoY mainly due to EGP 3.9bn other enterprise revenue, the largest share of which was managed services (EGP 2.4bn, up 22% YoY).
- ✓ **Mobile** revenue increased 19% YoY, contributing to a low double-digit of retail revenue–slightly higher than the FY2022 contribution–thanks to a healthy ARPU and stable subscriber base.
- ✓ **Wholesale** surged by 52% YoY to EGP 25.2bn, comprising mainly EGP 7.6bn in infrastructure revenue (MNOs and IRU circuits), EGP 5.8bn in IDD revenue, and EGP 4.0bn in cable revenue.



Income statement (FY 2023)

In EGP mn	FY 2023	FY 2022	YoY	Q4 2023	Q3 2023	Q4 2022	QoQ	YoY
Revenue	**56,679**	**44,273**	**28%**	**14,721**	**13,823**	**11,999**	**6%**	**23%**
Home	25,086	21,759	*15%*	6,550	6,414	5,766	*2%*	*14%*
Enterprise	6,421	5,924	*8%*	1,802	1,490	1,987	*21%*	*-9%*
Domestic	8,113	6,341	*28%*	1,968	1,695	1,683	*16%*	*17%*
ICA	7,428	4,677	*59%*	1,833	1,876	1,326	*-2%*	*38%*
IC&N	9,632	5,572	*73%*	2,568	2,347	1,237	*9%*	*108%*
Employee cost	(11,007)	(8,655)	*27%*	(3,091)	(2,664)	(2,445)	*16%*	*26%*
Call costs	(8,348)	(6,717)	*24%*	(2,056)	(2,163)	(1,890)	*-5%*	*9%*
CoGS*	(11,034)	(8,560)	*29%*	(3,532)	(2,363)	(2,653)	*50%*	*33%*
S&D*	(2,099)	(1,750)	*20%*	(485)	(559)	(488)	*-13%*	*-1%*
G&A*	(1,530)	(1,164)	*31%*	(482)	(448)	(435)	*8%*	*11%*
EBITDA	**22,662**	**17,427**	*30%*	**5,074**	**5,627**	**4,088**	*-10%*	*24%*
Margin	*40%*	*39%*	*62 bps*	*35%*	*41%*	*34%*	*(624 bps)*	*40 bps*
Other (expense) / income	40	364	*-89%*	(88)	85	15	*-204%*	*-685%*
Depreciation	(8,133)	(6,166)	*32%*	(2,771)	(1,853)	(2,286)	*50%*	*21%*
Amortization	(2,030)	(1,556)	*30%*	(475)	(528)	(425)	*-10%*	*12%*
(Pro)\ Reversal of ECL provision	(273)	(479)	*-43%*	(84)	(87)	(411)	*-3%*	*-80%*
Operating profit	12,266	9,590	*28%*	1,656	3,243	980	*-49%*	*69%*
Margin	*22%*	*22%*	*(2 bps)*	*11%*	*23%*	*8%*	*(1,222 bps)*	*308 bps*
Income from investments	5,033	2,695	*87%*	1,603	1,465	647	*9%*	*148%*
Net finance (cost) / income	(254)	(519)	*-51%*	796	(417)	1,076	*-291%*	*-26%*
Net interest (exp.) / income	(3,655)	(1,111)	*229%*	(1,155)	(973)	(408)	*19%*	*183%*
Tax	(1,917)	(1,467)	*31%*	(580)	(864)	719	*-33%*	*-181%*
Net Profit	**11,466**	**9,182**	*25%*	**2,317**	**2,453**	**3,012**	*-6%*	*-23%*
Margin	*20%*	*21%*	*(51 bps)*	*16%*	*18%*	*25%*	*(200 bps)*	*(936 bps)*
EPS	5.70	4.61	*24%*	1.36	1.44	1.76	*-6%*	*-23%*

* 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

- Top line increased 28% YoY, driven by a 14% increase in retail and a 52% hike in wholesale.
- The increase in retail revenue was mainly driven by data (an increase of EGP 3.2bn YoY), followed by voice and other enterprise. Wholesale growth was mainly driven by IDD, infrastructure, cable projects and capacity sales (increments of EGP 2.5bn, EGP 1.6bn, EGP 1.6bn and EGP 1.3bn, respectively).

Expenses

- Salaries up 27% YoY due to two salary adjustments during the year, but improved 37bps YoY as a % of total revenue. Call costs as a % of total revenue came almost flat at 15% thanks to savings from the national roaming agreement, which offset the 31% increase in incoming wholesale call costs due to currency devaluation. Total call costs increased by 24% YoY mainly due to international incoming calls.
- Marketing exp. grew 29% YoY, maintaining the same % of top-line YoY.

EBITDA

- EBITDA up 30% YoY, marking a strong 40% margin - beating management's guidance. Data growth and the hike in USD-denominated IC&N, domestic and ICA revenues were the main contributors to this increase, together with cost savings from the national roaming agreement.

Other.OPEX

- D&A increased 32% YoY due to the continued CapEX rollout plan, spectrum amortization, and FX effect under the Prime Minister's exceptional accounting treatment.
- Reversal of ECL provision declined by 43% YoY due to improved credit collections.
- Operating profit up 28% YoY, driven by strong operational performance.

Non-operational

- Income from VFE increased by EGP 2.3bn thanks to strong organic performance.
- The surge in net interest expense was mainly driven by foreign currency appreciation.
- Net debt/EBITDA reached 1.7x vs. 1.4x in FY 2023 due to currency devaluation, as 66% of the debt is foreign currency denominated.

Net profit

- Net profit landed at EGP 11.5bn, marking a 25% YoY increase.

Income statement (Q4 2023)

In EGP mn	FY 2023	FY 2022	YoY	Q4 2023	Q3 2023	Q4 2022	QoQ	YoY
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* 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

- Top line demonstrated a considerable growth of 23% YoY, fueled by impressive gains in both wholesale and retail (+50%, and +8% YoY, respectively).
- IC&N recorded a significant increase of 108% YoY, contributing an additional EGP 1.3bn to the revenue stream, thanks to higher cable projects and capacity sales.
- Data grew by 16% YoY to reach EGP 5.7bn, representing 39% of the revenue growth.

Expenses

- Salaries increased by 26% YoY, representing 19% of the top line.
- Total call costs grew 9% YoY, impacted mainly by the increase in cost associated with higher IDD and mobile voice revenues.

EBITDA

- **EBITDA** increased 24% YoY, recording an almost flat 35% margin due to inflated costs elements that were partially contained by the growth in revenue.

Other OPEX

- D&A increased by 20% on higher capex rollout.
- Operating profit increased by 69% YoY equating to EGP 1.7bn, thanks to strong operations overshadowing the higher D&A costs.

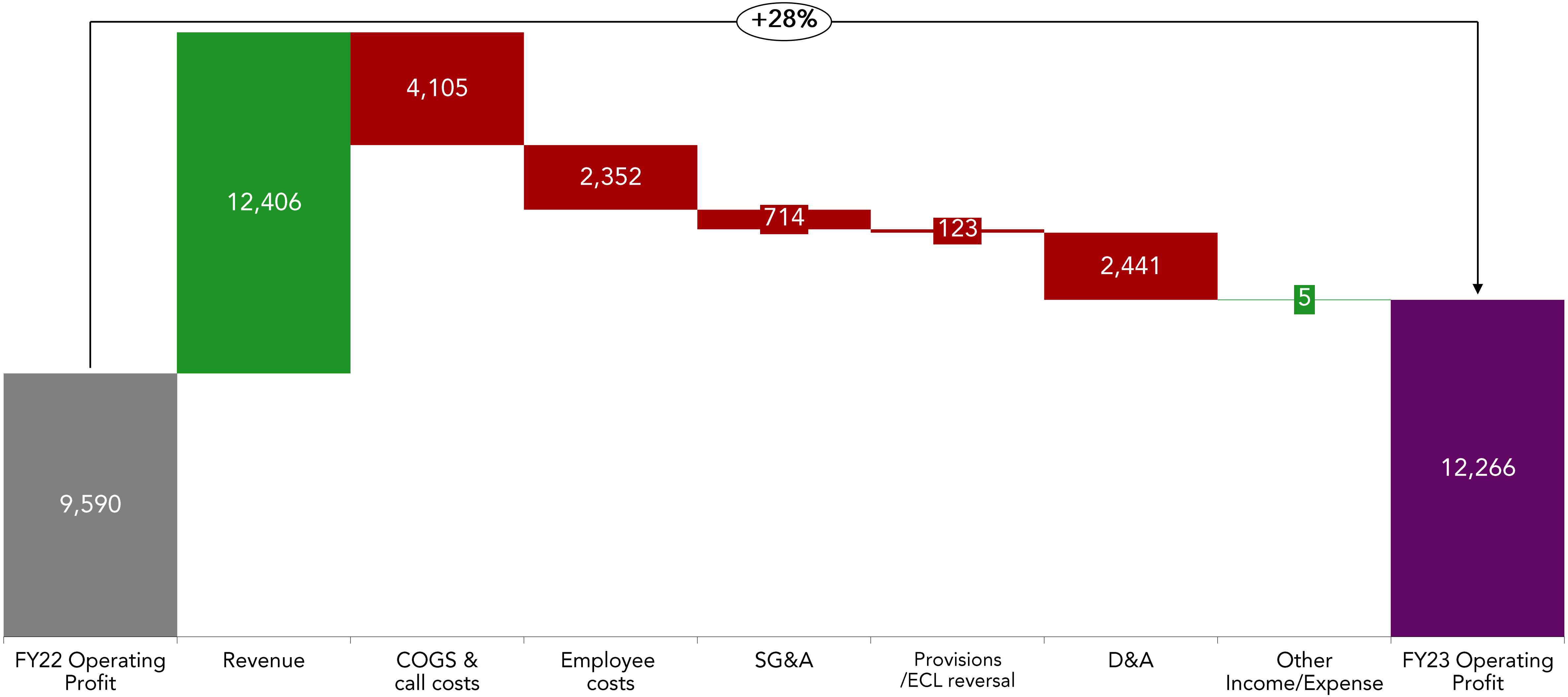
Non-operational

- VFE’s investment income inflated by 143% YoY amounting to EGP 1.6bn.
- Interest expense hiked 2.9x due to the higher FX rate, which enlarged our total gross debt, leading to an EIR of 11.2% vs. 7.3% last year.

Net profit

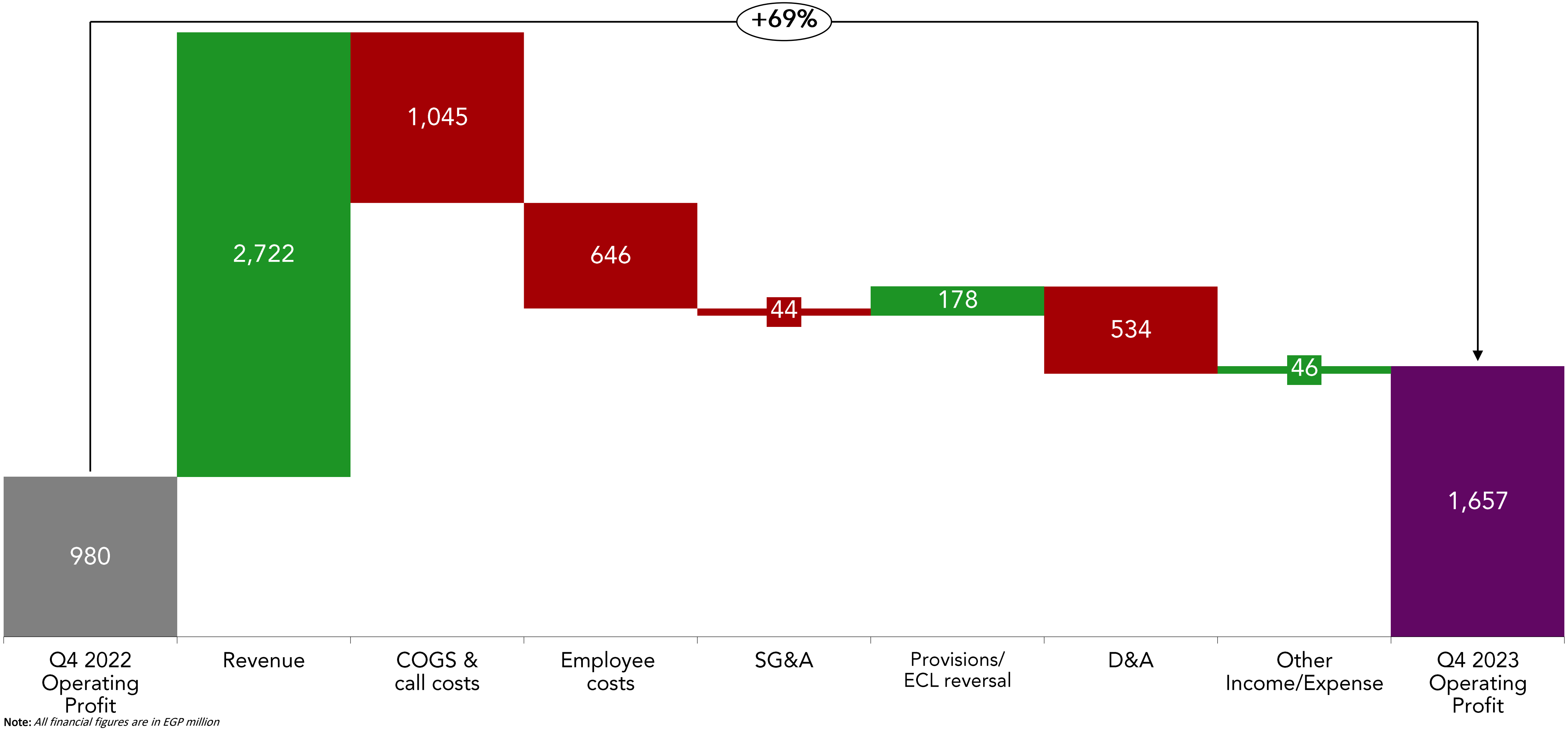
- Net profit reported EGP 2.3bn (-23% YoY), implying a NPM of 16%. The decrease in net profit resulted from a positive tax reversal base in the same period last year.

Operating profit
FY 2023 (YoY)



Note: *All financial figures are in EGP million*

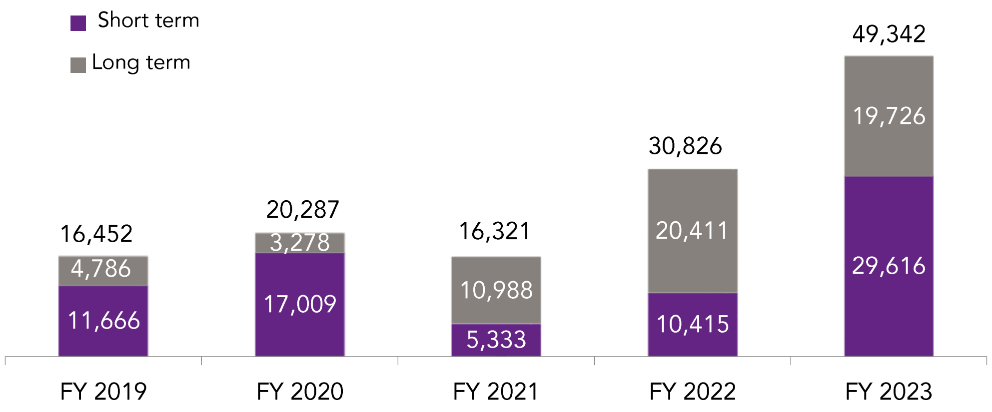
Operating profit
Q4 2023 (YoY)



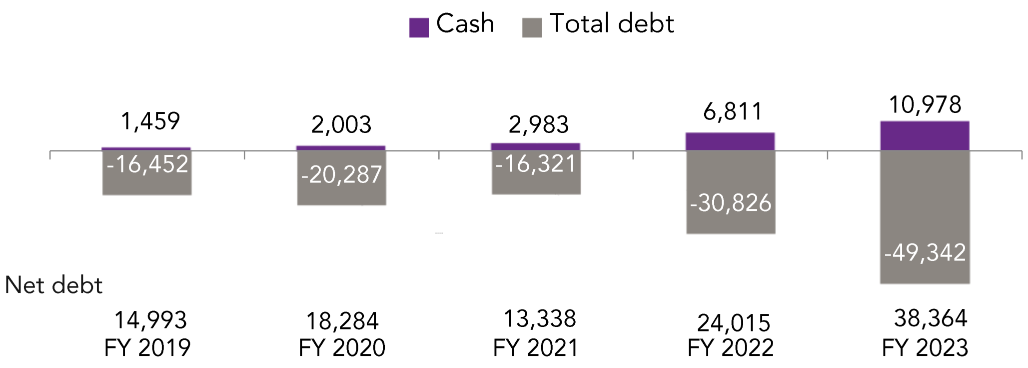
Note: *All financial figures are in EGP million*

Balance sheet highlights

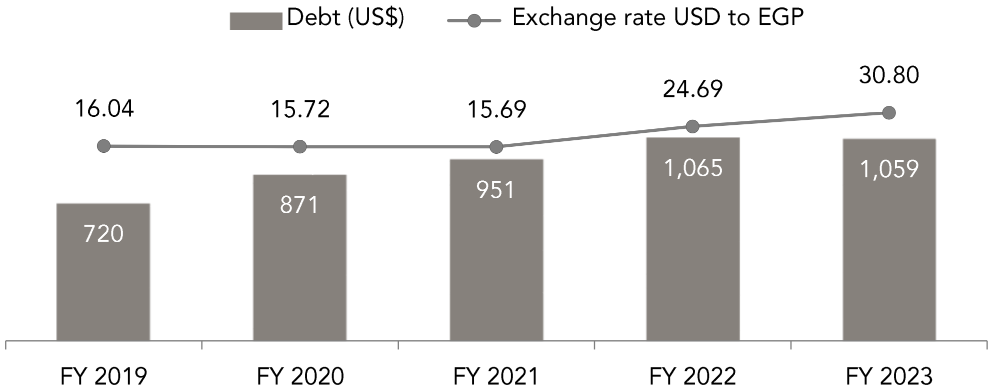
Total debt
(EGP mn)



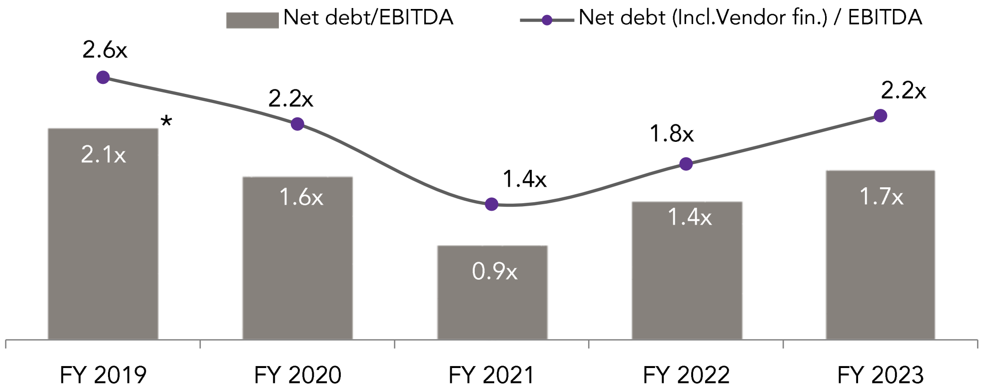
Net debt
(EGP mn)



Debt – Hard currency portion
(EGP mn)



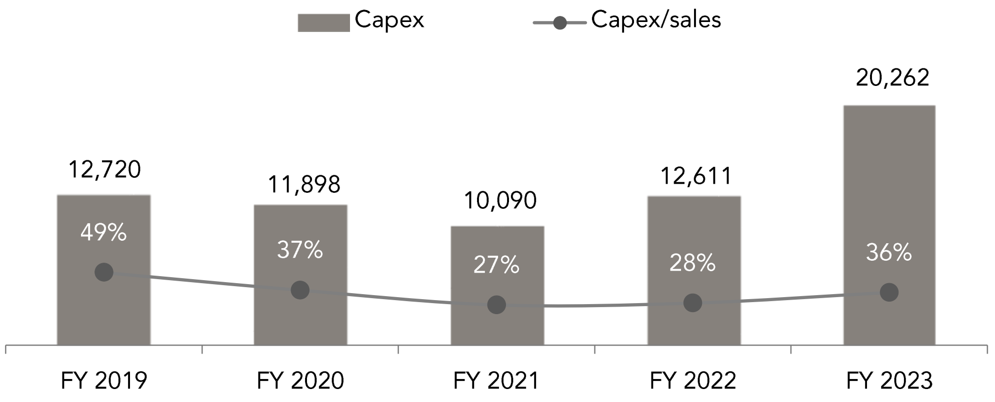
Net debt/ EBITDA
(Based on annualized EBITDA)



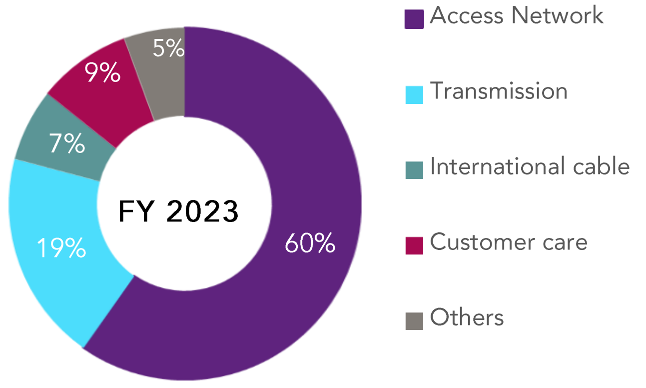
* Adjusted for the ERP total cost of EGP 1.3bn

CapEx analysis

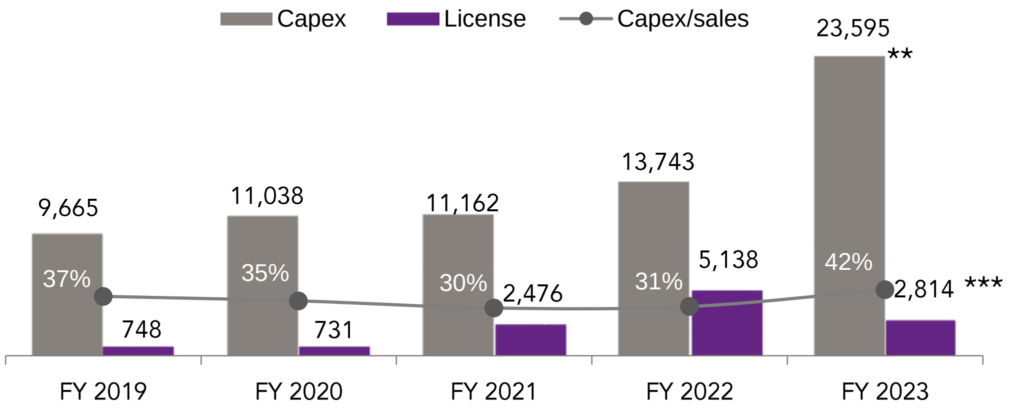
In-service CapEx
(EGP mn)



Breakdown of in-service CapEx

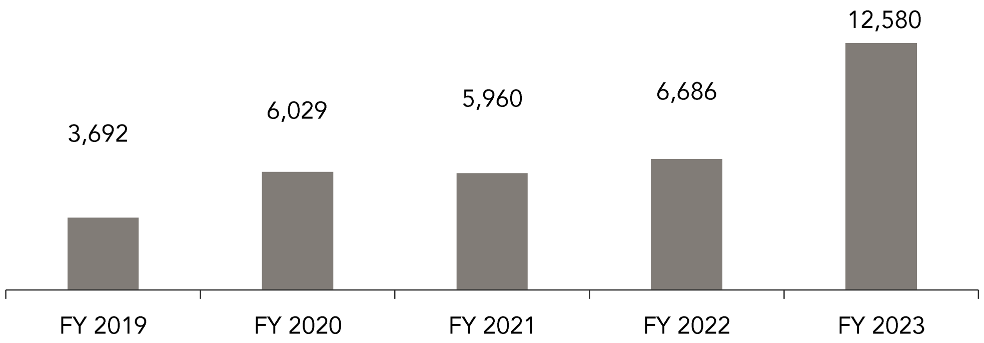


Cash CapEx*
(EGP mn)



* High CapEx figures are due to increased procurement and upfront settlement of obligations
** Include NUCA, H.Karima, & digitalization projects of c.EGP2bn
*** Includes a portion of other assets

Vendor financing obligations*
(EGP mn)

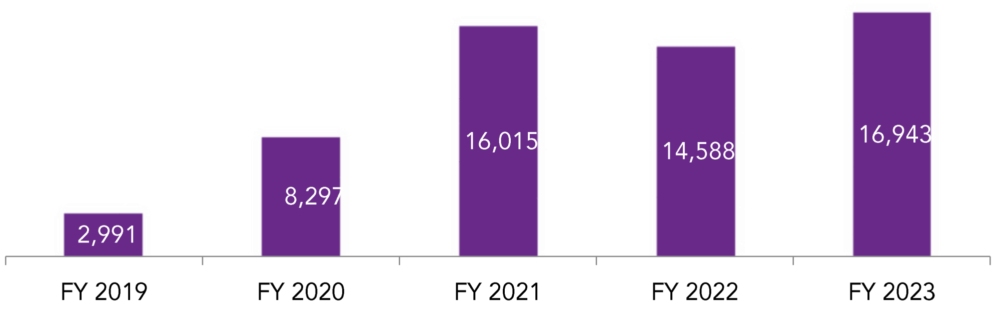


* Based on USD and EURO exchange rates as of 31 December 2023

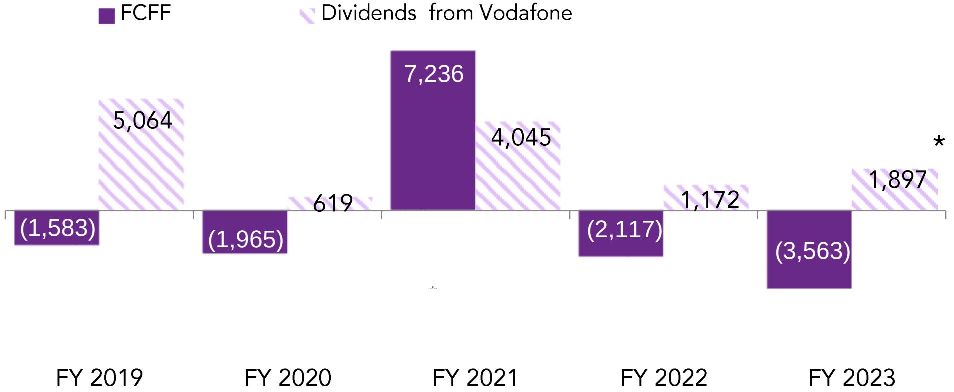
Note: All financial figures reported are based on consolidated financials under the Egyptian Accounting Standards

Cash flow analysis

Net cash from operating activities
(EGP mn)

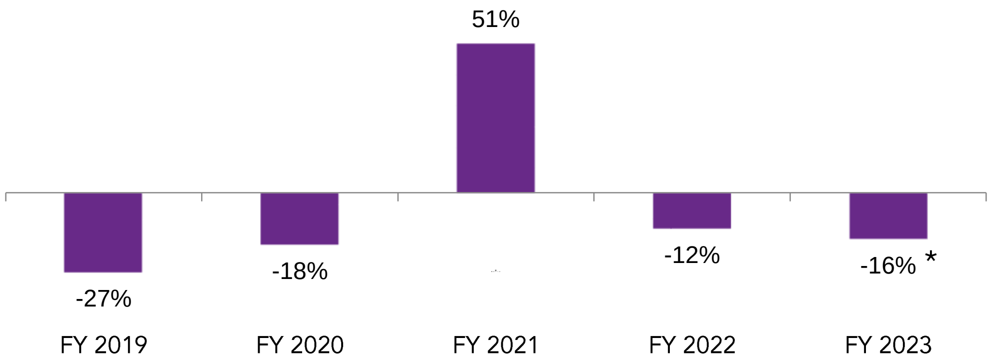


FCFF
(EGP mn)



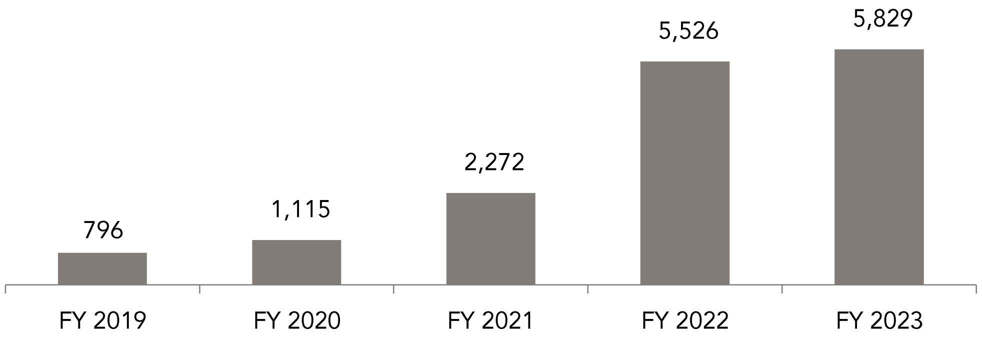
*FCFF reached (EGP 3.6bn)--excluding the spectrum and license fees, it would be (EGP1.5bn)

FCFF/EBITDA
(EGP mn)



*Excluding the spectrum and 2G license payments, FCF/EBITDA would be -6.5%

FCFE
(EGP mn)



Our performance in context

	FY 2023 actual	FY 2023 guidance	FY 2024 budget
Revenue growth YoY	28%	Early double-digit	Mid double-digit
EBITDA margin (%)	40%	Mid-to-high 30s	High 30s
Capex/sales (%)	In-service: 36% Cash: 47%	In-service: Mid-20s	In-service: Early 20s
FCF/EBITDA (%)	(6.5%)*	Early double-digit	Early 40s

*Including the spectrum and 2G license payments, FCF/EBITDA would be -16%

Thank You

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