

# Results Presentation telecomegypt

## Q2 2024



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# H1 2024 Results Highlights

## Price-Ups Across Retail Segment Alleviate Inflation Pressures



Revenue (EGP bn)

38.0bn

+35% YoY

Total revenue climbed 35% YoY, backed by a 46% YoY increase in Data revenue across the Retail segment, contributing 40% to total revenue, followed by International Direct Dialing (IDD) revenues and International Capacity Sales, which increased by 51% and 103% YoY, respectively.

EBITDA (EGP bn)

15.5bn

+29% YoY

EBITDA increased 29% YoY, reaching a margin of 41%. The top-line's robust growth, combined with effective cost optimization strategies, has successfully sustained the margin at targeted levels, despite prevailing inflationary pressures.

Net Profit (EGP bn)

6.5bn

-3% YoY

Net profit came in almost flat YoY, recording a margin of 17%. The strong 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.

Customers (mn)

Fixed Voice: 12.8 (8% YoY)

Fixed Data: 9.8 (8% YoY)

Mobile: 13.1 (4% YoY)

Customer base continues to steadily grow across all segments.

# Main Events Year to Date



## Main Events



### 07 Aug 2024: Telecom Egypt Selects Mada Communications as its Preferred Partner for International SMS Services

Telecom Egypt, Egypt's market-leading telecom operator, announces that it has signed a multi-year agreement with Mada Communications (Mada®), a leading telecoms solutions provider, to be its preferred strategic international SMS service provider.

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### 15 Jul 2024: Telecom Egypt Enhancing Mobile Data Service in Strategic Hot Spots Using Nokia 5G Technology

Telecom Egypt, Egypt's market-leading telecom operator, today announced a new partnership with Nokia to bring 5G technology to Egypt for the first time. The collaboration aims to revolutionize the country's telecom landscape by introducing the transformative power of 5G to cities such as Alexandria, Giza, Luxor, and Aswan.

[Read More](#) ←



### 01 Jul 2024: Telecom Egypt and 4iG Group to Partner in Modernizing Egypt's Digital Infrastructure

Telecom Egypt, Egypt's market-leading telecom operator, and 4iG Group, the leading telecommunications and IT group in Hungary and the Western Balkans, signed a Memorandum of Understanding (MoU) to establish a joint venture to build, operate and commercialize Fiber-To-The-Home and Fiber-To-The-Site fiber access infrastructure on a wholesale basis in Egypt.

[Read More](#) ←



### 05 Jun 2024: SubCom and Telecom Egypt Complete IEX Cable Landings in Egypt

Telecom Egypt, the full-service telecom operator in Egypt and one of the largest subsea cables operators in the region, and SubCom, the global subsea data system supplier, along with the India-Europe-Xpress (IEX) partners, announced the successful completion of IEX Subsea system's landings in Egypt.

[Read More](#) ←



# Main Events Year to Date



## Main Events



**22 May 2024: Telecom Egypt to Refinance Short-Term Facilities with new USD 200mn Medium-Term Loan Facility from Banque Misr, UAE**

Telecom Egypt, the country's full-service telecom operator, today signed an agreement to secure a USD 200m medium-term loan from Banque Misr, UAE.

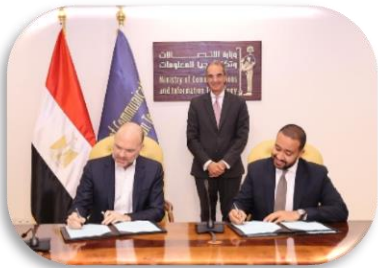
[Read More](#) ←



**21 May 2024: Telecom Egypt Partners with Huawei Cloud to Host Huawei's First Public Cloud in Egypt and Northern Africa**

In a significant step towards accelerating Egypt's digital transformation strategy, Telecom Egypt, a leading communications and information technology service provider, and Huawei Cloud have successfully joined forces to launch Huawei's first locally based public cloud platform in Egypt and Northern Africa.

[Read More](#) ←



**19 Mar 2024: Telecom Egypt and EXA Infrastructure Partner to Promote Intercontinental Traffic via WeConnect**

Today, Telecom Egypt, Egypt's first integrated telecom operator and one of the largest subsea cable operators in the region, and EXA Infrastructure, a leading European fiber backbone and transatlantic subsea cable infrastructure provider, announced their partnership to reshape East-to-West traffic flows entering the Mediterranean.

[Read More](#) ←



**07 Feb 2024: ICE IV Project Propels Intra Asia to India, Middle East, and Beyond**

e&, Telecom Egypt, Telin, and a major Indian operator have signed a new Memorandum of Understanding (MoU) to form a consortium with the aim of developing 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 on a unique route that will break the mold between these regions.

[Read More](#) ←

# Main Events Year to Date



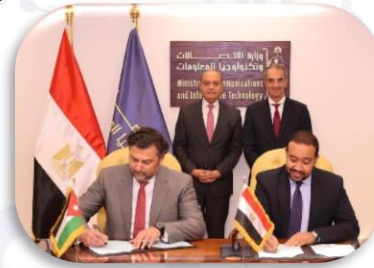
## Main Events



### 01 Feb 2024: 4iG and Telecom Egypt Sign Terms of Cooperation for the Creation of an Express Subsea Cable between Albania and Egypt

4iG Plc info-communications company and Telecom Egypt, Egypt's first integrated telecom operator and one of the largest subsea cable operators in the region, have reached an agreement on the terms of cooperation for the construction of an express subsea cable between Albania and Egypt.

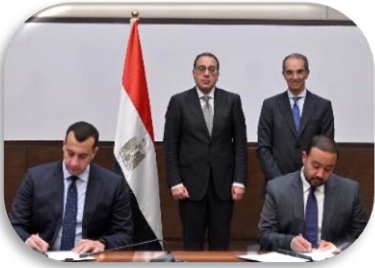
[Read More](#) ←



### 25 Jan 2024: Telecom Egypt and NaiTel Join Forces to Build a new Subsea Cable "Coral Bridge" between Egypt and Jordan

In a ground-breaking move to enhance regional connectivity, Telecom Egypt has joined forces with NaiTel, together, they announce the signing of a Joint Build Agreement to construct Coral Bridge.

[Read More](#) ←



### 17 Jan 2024: Telecom Egypt Secures the First 5G License in Egypt

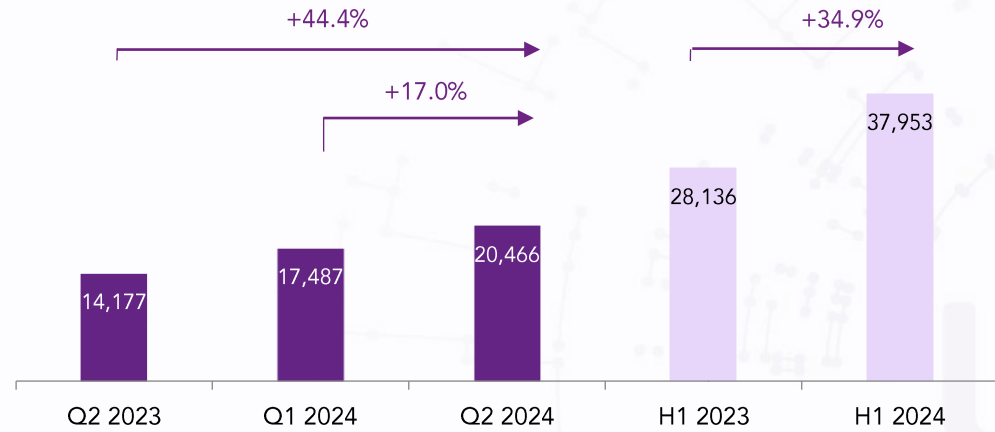
The National Telecommunications Regulatory Authority (NTRA) has granted Telecom Egypt the country's first license to install and operate fifth-generation (5G) networks for cell phones.

[Read More](#) ←

# Financial Highlights

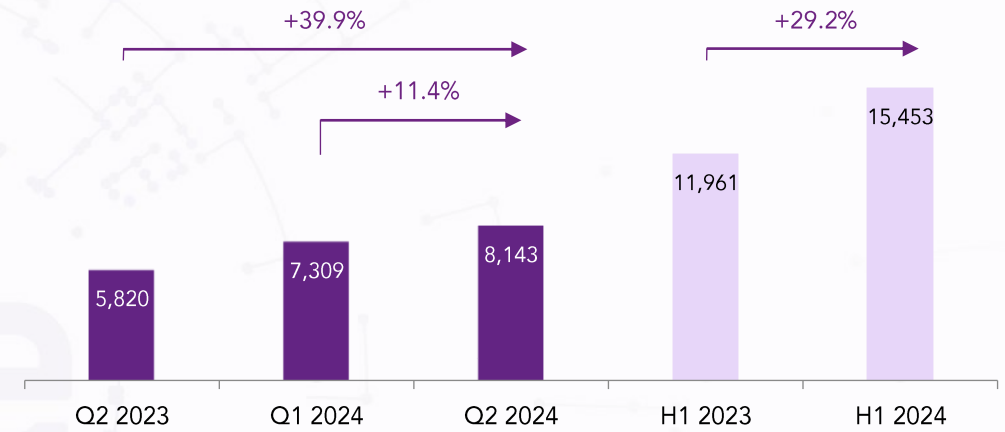
## Revenue

(In EGP mn)



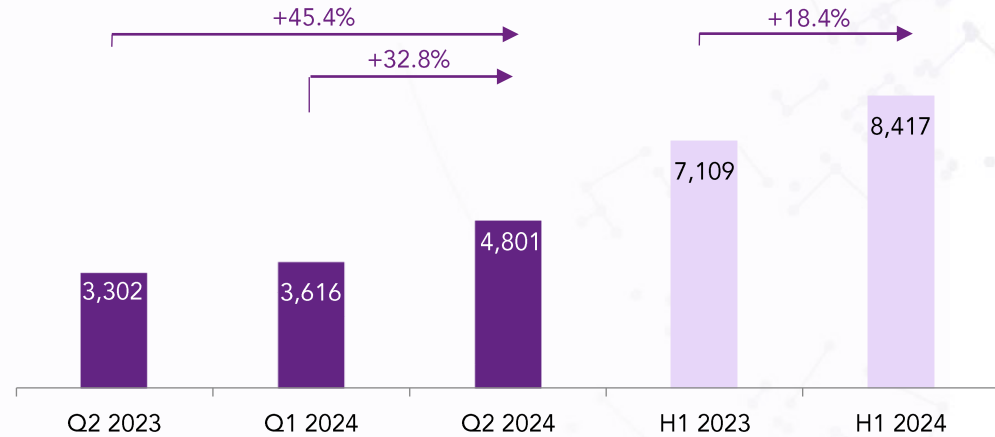
## EBITDA

(In EGP mn)



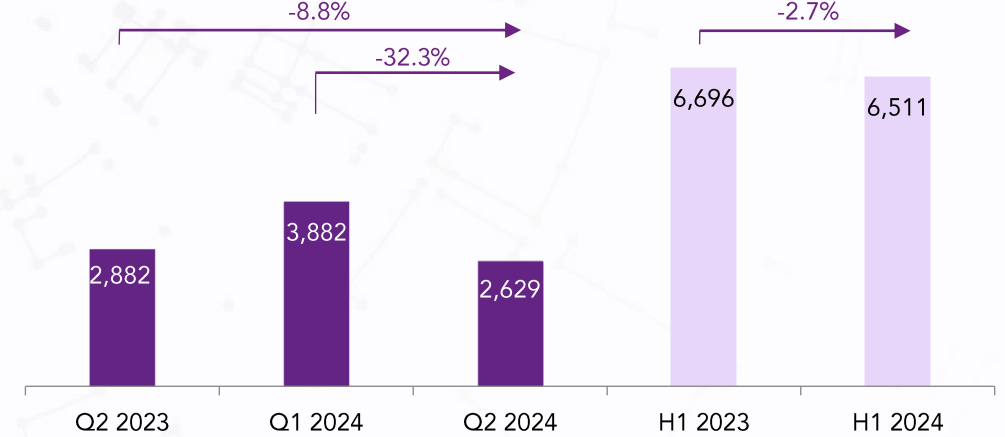
## Operating Profit

(In EGP mn)



## Net Profit

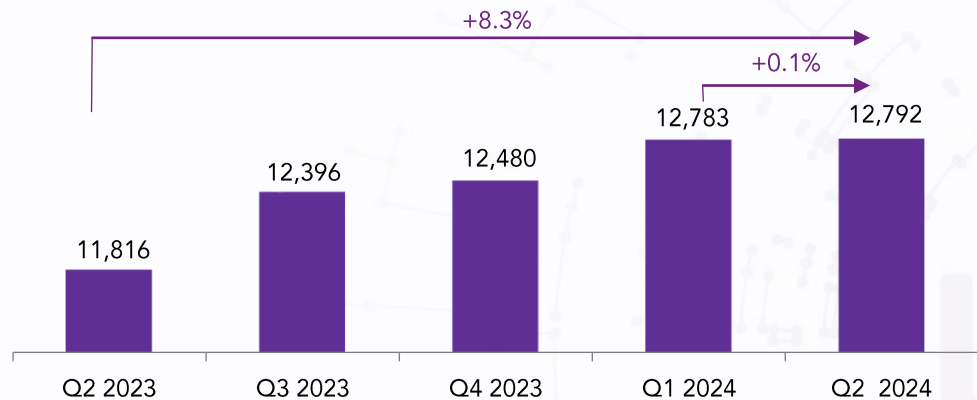
(In EGP mn)



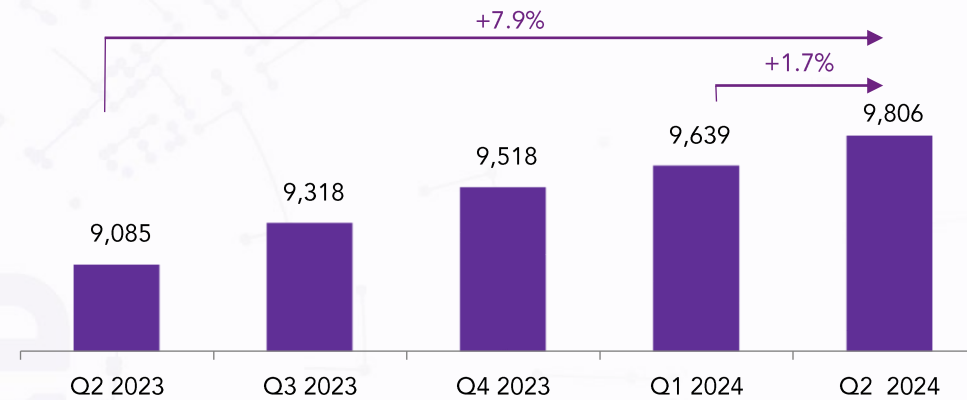
# Customer Base and ARPU



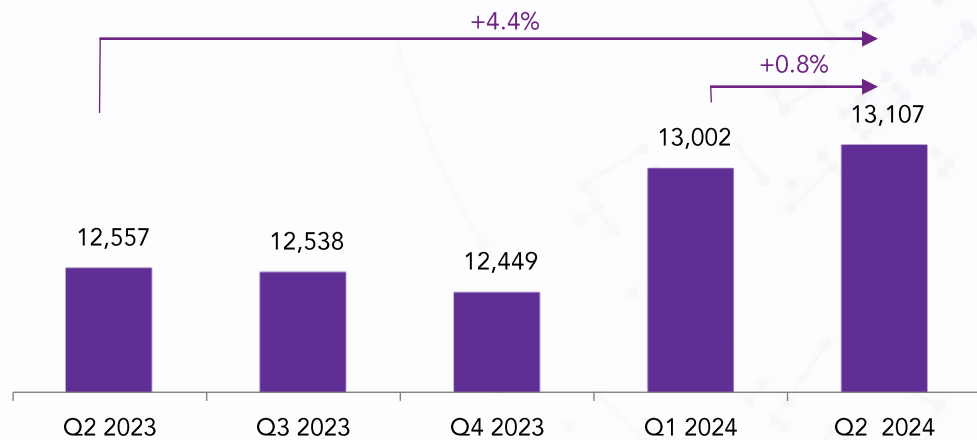
Fixed Line  
(In 000s)



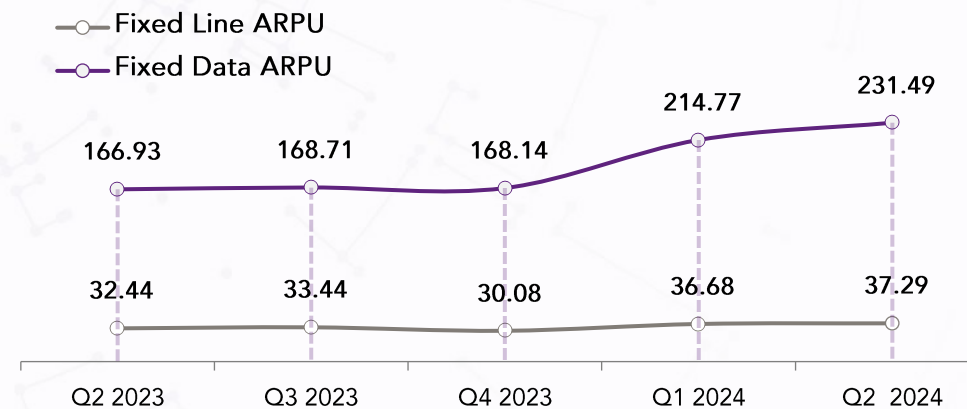
Fixed Broadband  
(In 000s)



Mobile  
(In 000s)



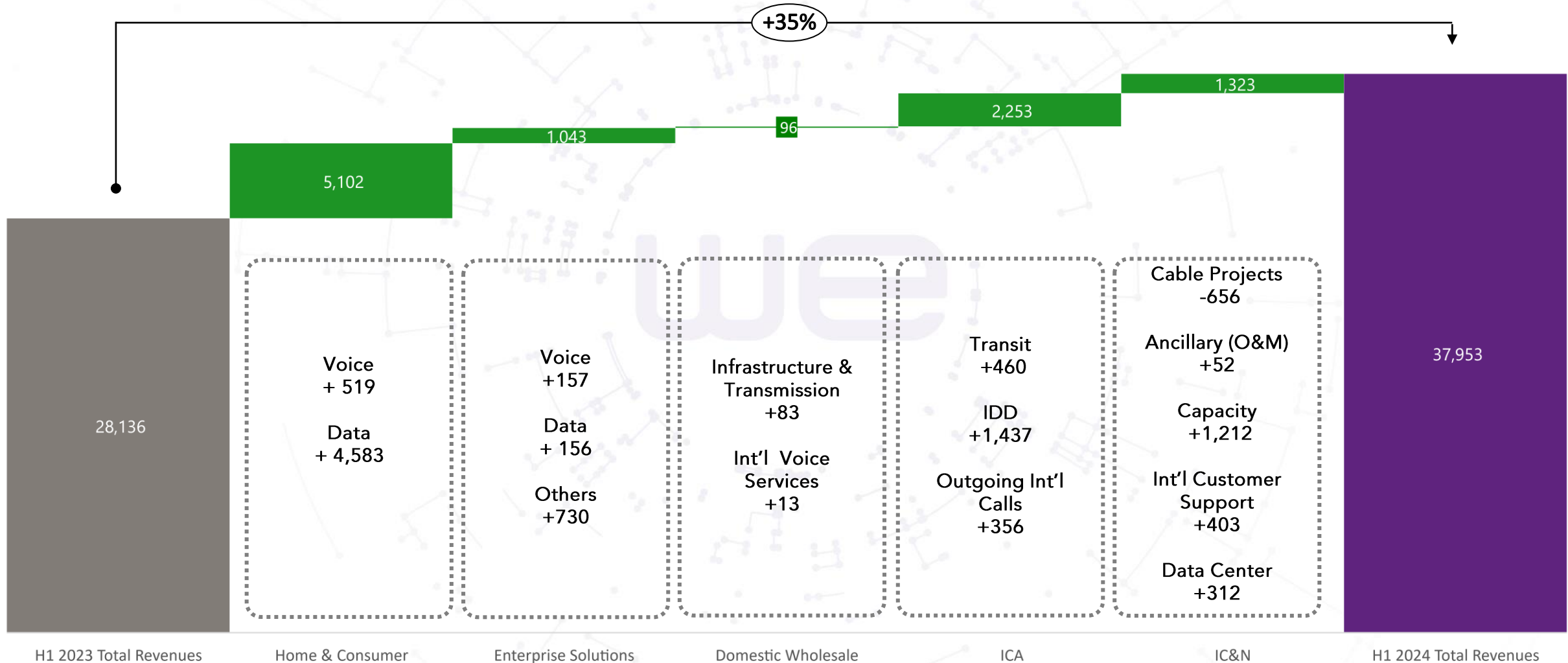
ARPU  
(In EGP)





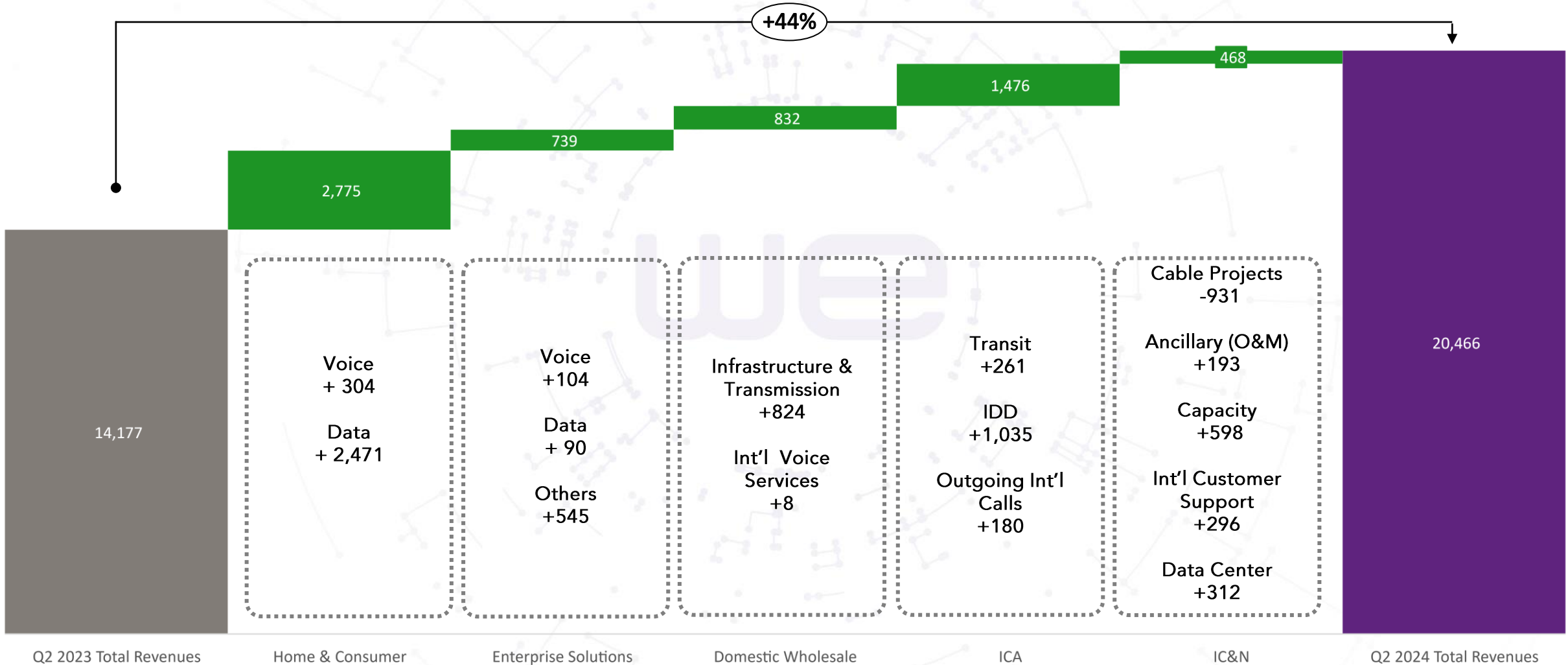
# Total Revenues

H1 2024 YoY (EGP mn)



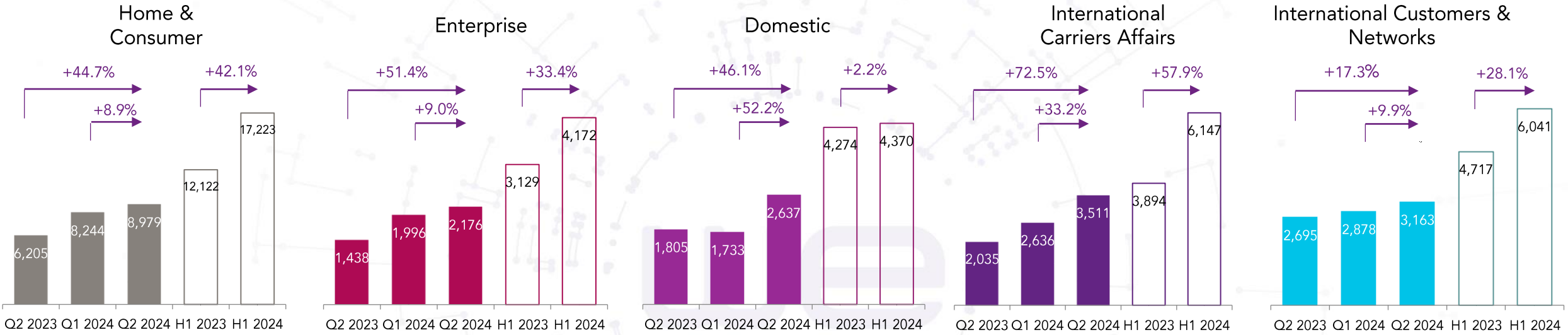
# Total Revenues

## Q2 2024 YoY (EGP mn)



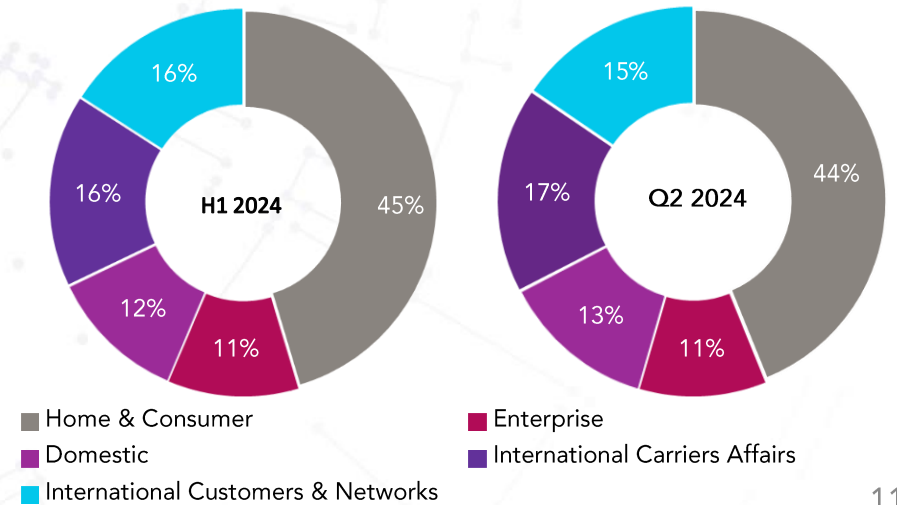
# Revenue by Business Unit

## Steady Retail Segment Performance Continues to Drive Growth



### H1 2024 Performance

- ✓ **Total revenue** increased by 35% YoY to reach EGP 38bn, driven by a strong Retail segment, contributing 56% of total revenue and representing 63% of revenue growth YoY.
- ✓ **Home & Consumer** grew 42% YoY on 46% higher Data revenue, driven by the increase in ARPU, following the direct price up, and the continuously growing customer base (+8% YoY).
- ✓ **Enterprise** increased by 33% YoY, mainly backed by the increase in Managed Data Services, contributing 39% to the business unit's growth.
- ✓ **Mobile** witnessed a healthy growth of 39% YoY, mainly driven by the improved ARPU as a result of the price up.
- ✓ **Domestic Wholesale** remained flat YoY on flattish Infrastructure revenues.
- ✓ **ICA** increased by 58% YoY, representing 23% of top-line growth, backed by a 51% YoY hike in IDD attributable to the foreign currency appreciation, in addition to 13% higher traffic YoY.
- ✓ **IC&N** climbed by 28% YoY, representing 13% of top-line growth, mainly on a 103% YoY increase in Capacity Sales which came at EGP 2.4bn. It is also worth mentioning that International Customer Support revenues increased by 47% YoY to reach EGP 1.3bn.



# Income Statement (H1 2024)



In EGP mn	H1 2024	H1 2023	YoY	Q2 2024	Q1 2024	Q2 2023	QoQ	YoY
<b>Revenue</b>	<b>37,953</b>	<b>28,136</b>	<b>35%</b>	<b>20,466</b>	<b>17,487</b>	<b>14,177</b>	<b>17%</b>	<b>44%</b>
Home	17,223	12,122	42%	8,979	8,244	6,205	9%	45%
Enterprise	4,172	3,129	33%	2,176	1,996	1,438	9%	51%
Domestic	4,370	4,274	2%	2,637	1,733	1,805	52%	46%
ICA	6,147	3,894	58%	3,511	2,636	2,035	33%	73%
IC&N	6,041	4,717	28%	3,163	2,878	2,695	10%	17%
<b>Employee cost</b>	<b>(6,672)</b>	<b>(5,252)</b>	<b>27%</b>	<b>(3,463)</b>	<b>(3,209)</b>	<b>(2,746)</b>	<b>8%</b>	<b>26%</b>
Call costs	(5,895)	(4,129)	43%	(3,290)	(2,605)	(2,189)	26%	50%
CoGS*	(7,675)	(5,140)	49%	(4,329)	(3,345)	(2,505)	29%	73%
S&D*	(1,373)	(1,054)	30%	(815)	(558)	(598)	46%	36%
G&A*	(886)	(599)	48%	(426)	(460)	(318)	-7%	34%
<b>EBITDA</b>	<b>15,453</b>	<b>11,961</b>	<b>29%</b>	<b>8,143</b>	<b>7,309</b>	<b>5,820</b>	<b>11%</b>	<b>40%</b>
<i>Margin</i>	41%	43%	(180 bps)	40%	42%	41%	(201 bps)	(126 bps)
Other (expense) / income	84	43	94%	187	(103)	73	-281%	157%
Depreciation	(5,476)	(3,767)	45%	(2,841)	(2,635)	(1,997)	8%	42%
Amortization	(1,192)	(1,027)	16%	(605)	(587)	(518)	3%	17%
(Pro) Reversal of ECL provision	(452)	(101)	346%	(84)	(368)	(77)	-77%	10%
<b>Operating profit</b>	<b>8,417</b>	<b>7,109</b>	<b>18%</b>	<b>4,801</b>	<b>3,616</b>	<b>3,302</b>	<b>33%</b>	<b>45%</b>
<i>Margin</i>	22%	25%	(309 bps)	23%	21%	23%	278 bps	17 bps
Income from investments	2,985	1,964	52%	2,086	899	1,070	132%	95%
Net finance (cost) / income	(701)	(375)	87%	(792)	91	(125)	-967%	535%
Net interest (exp.) / income	(4,512)	(1,526)	196%	(2,754)	(1,758)	(874)	57%	215%
Tax	326	(473)	-169%	(710)	1,036	(487)	-168%	46%
<b>Net Profit</b>	<b>6,511</b>	<b>6,696</b>	<b>-3%</b>	<b>2,629</b>	<b>3,882</b>	<b>2,882</b>	<b>-32%</b>	<b>-9%</b>
<i>Margin</i>	17%	24%	(664 bps)	13%	22%	20%	(935 bps)	(748 bps)
EPS	3.81	3.92	-3%	1.54	2.27	1.69	-32%	-9%

Revenue

- Top-line witnessed a significant 35% YoY increase, on a 40% increase in Retail revenue and a 28% increase in Wholesale revenue.
- Data was the largest contributor to revenue growth, with 48%, thanks to the price up across all retail segments in January 2024 and the 8% increase in customer base. IDD showed an increase of 51% YoY, owed to 13% YoY higher traffic and the foreign currency appreciation, while Capacity Sales climbed 103% YoY to report EGP 2.4bn, affected positively by the foreign currency appreciation as well.

Expenses

- Employee costs increased 27% YoY, representing an employee cost to revenue of 18%, slightly lower than the 19% reported in H1 2023.
- Total call costs inflated by 43% YoY, mainly on currency devaluation and supported by a 13% YoY higher outgoing traffic and 12% YoY higher incoming traffic.
- Marketing expense grew 38% YoY, almost maintaining 2% of the top-line as last year.

EBITDA

- EBITDA increased 29% YoY, reaching a margin of 41%. The top-line's robust growth, combined with effective cost optimization strategies, has successfully sustained the margin at targeted levels, despite prevailing inflationary pressures.

Other OPEX

- D&A hiked 39% YoY related to new additions of CapEx, as well as the capitalized FX in light of the special accounting treatment.
- ECL provision reported EGP 0.45bn, mainly to account for outstanding balances affected by the currency devaluation.

Non-Operational

- Income from VFE increased by 52% YoY reporting EGP 3.0bn, backed by higher operating margins caused by the price up, despite the FX loss recognized on their P&L during Q1 2024 related to the currency devaluation.
- Interest expense hiked by 2.6x YoY due to the appreciation of foreign currency debt balances (EGP 50.6bn vs EGP 32.6bn in FY 2023), increasing the effective interest rate from 11% in FY 2023 to 15% in H1 2024.

Net Profit

- Net profit came in almost flat YoY, recording a margin of 17%. The strong 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.



# Income Statement (Q2 2024)

In EGP mn	H1 2024	H1 2023	YoY	Q2 2024	Q1 2024	Q2 2023	QoQ	YoY
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<i>Margin</i>	<i>17%</i>	<i>24%</i>	<i>(664 bps)</i>	<i>13%</i>	<i>22%</i>	<i>20%</i>	<i>(935 bps)</i>	<i>(748 bps)</i>
EPS	3.81	3.92	-3%	1.54	2.27	1.69	-32%	-9%

## Revenue

- Top-line inflated by 44% YoY, on a 46% YoY increase in Retail revenue and 42% YoY in Wholesale revenue.
- Data grew 48% YoY, representing 38% of total revenues, thanks to the price up across all of the Retail segment in January 2024, alongside the 8% increase in Data customer base. IDD, Infrastructure, and Capacity Sales showed incremental YoY growth this quarter of 73%, 46%, and 106%, respectively, partially due to the FX effect, in addition to increasing traffic.

## Expenses

- Employee costs increased 26% YoY, however, the employee cost to revenue decreased from 19% in Q2 2023 to 17% in Q2 2024.
- Total call costs hiked by 50% YoY, mainly on currency devaluation and supported by a 5% YoY higher outgoing traffic and 17% YoY higher incoming traffic.
- Marketing expense grew 41% YoY, almost maintaining 3% of top-line as last year.

## EBITDA

- EBITDA was up 40% YoY, implying a margin of 40%. This was driven by the excellent top-line performance, which softened the pressure of higher expenses due to currency devaluation.

## Other OPEX

- D&A climbed 37% YoY, amounting to EGP 3.4bn, related to new CapEx additions, as well as the capitalized FX in light of the special accounting treatment.

## Non-Operational

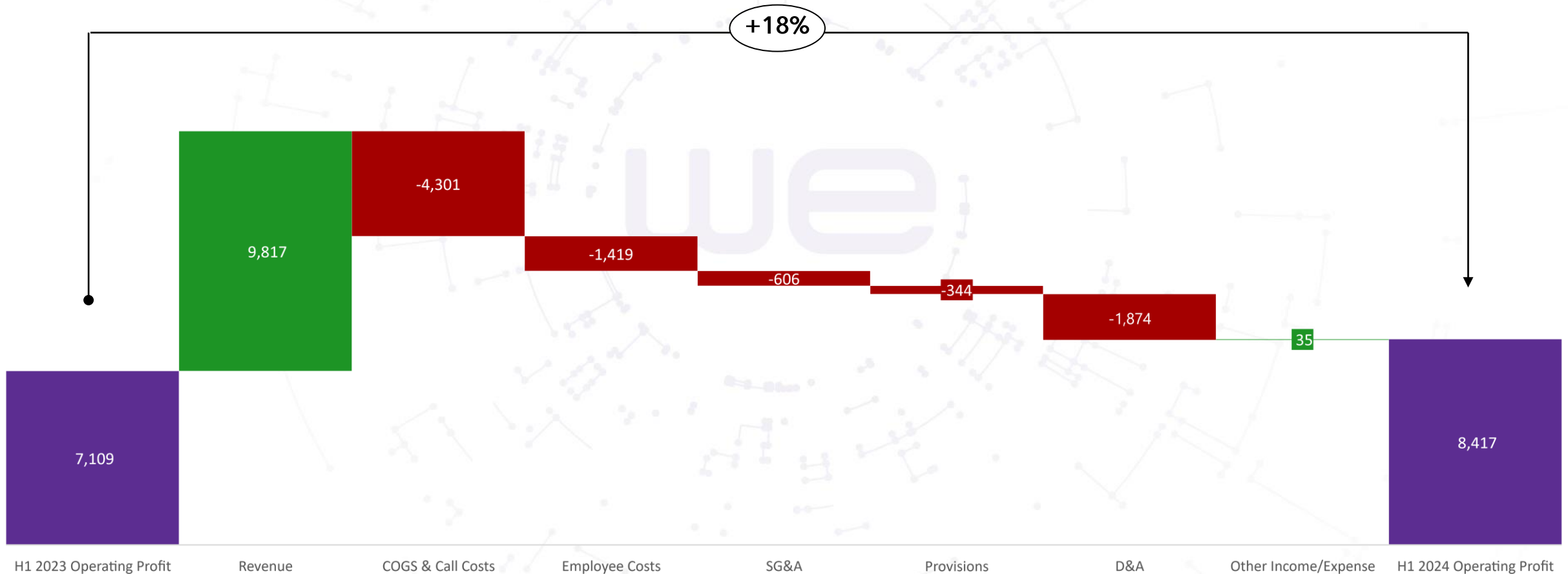
- Income from VFE almost doubled YoY reporting EGP 2.1bn, backed by higher operating margins caused by the price up.
- Interest expense hiked by 2.8x YoY due to appreciation of the foreign currency debt, increasing the effective interest rate to 15% in Q2 2024.

## Net Profit

- Net profit landed at EGP 2.6bn, implying a 13% margin. 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 recognition of EGP 0.7bn in FX losses.

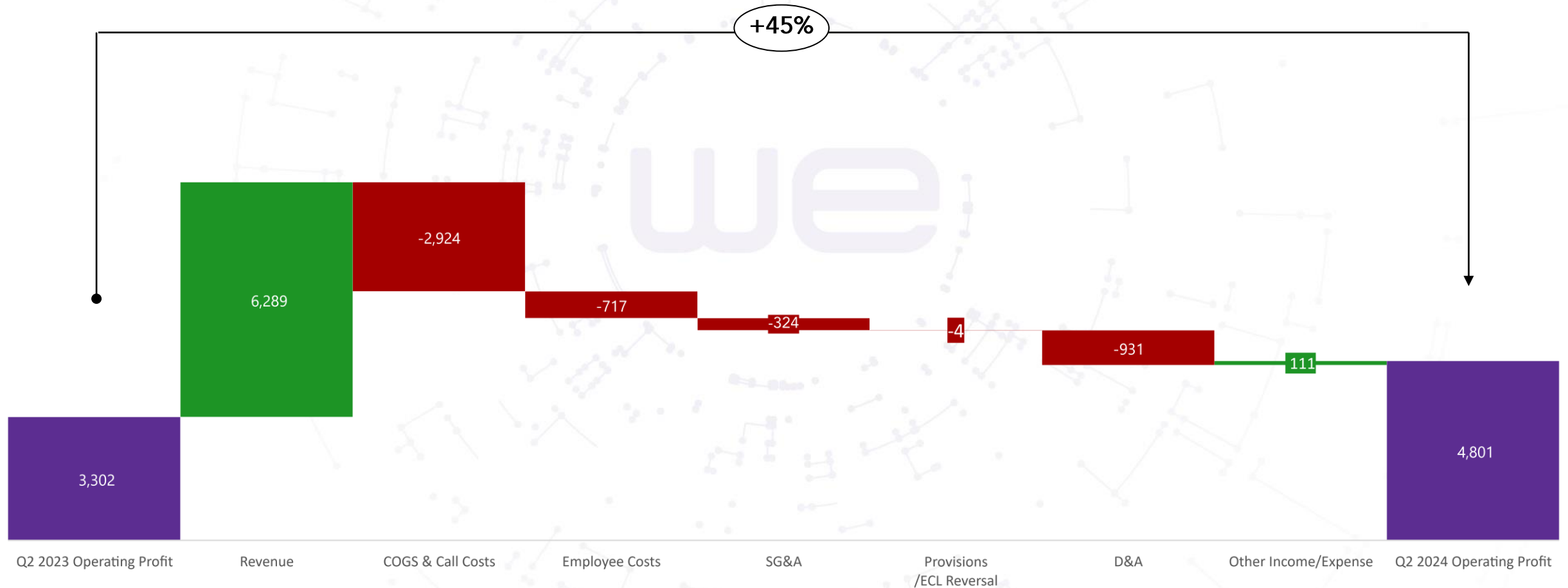
# Operating Profit

H1 2024 YoY (EGP mn)



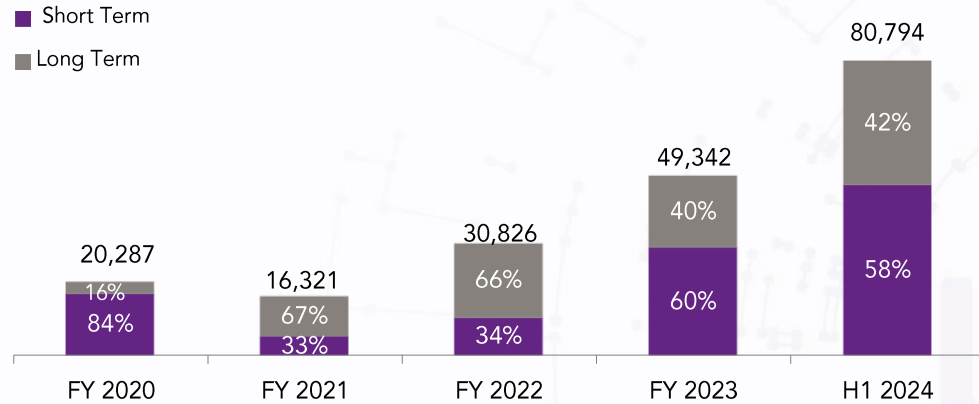
# Operating Profit

Q2 2024 YoY (EGP mn)

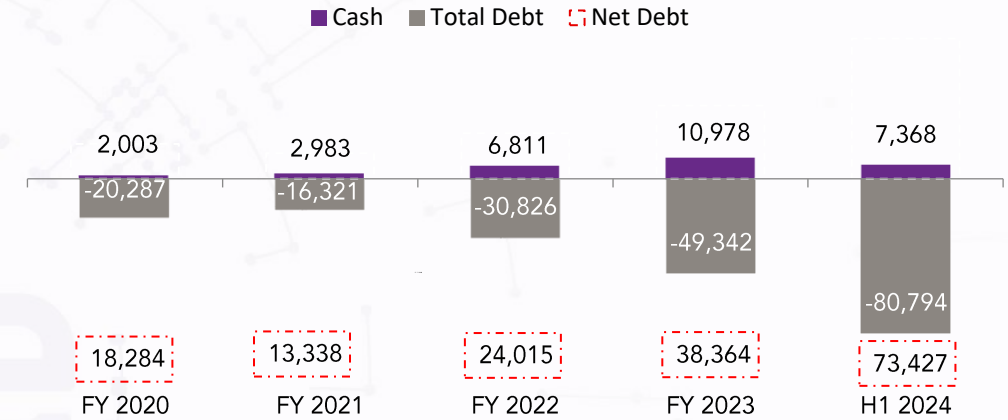


# Balance Sheet Highlights

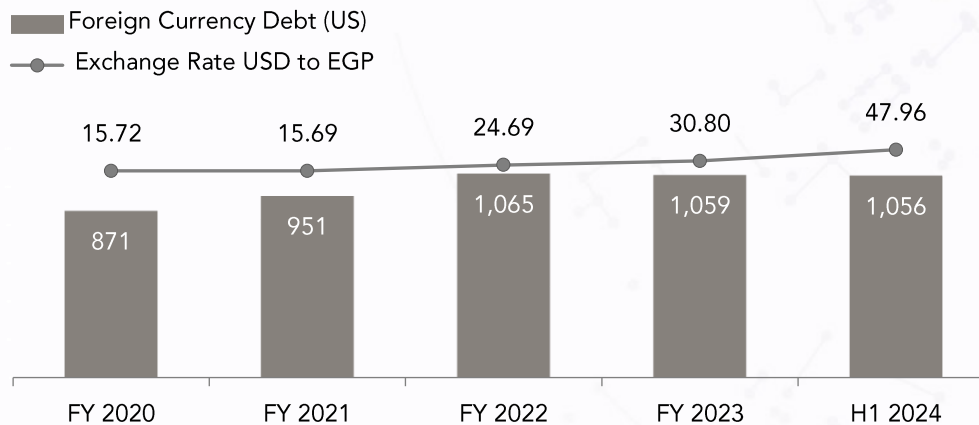
## Total Debt (EGP mn)



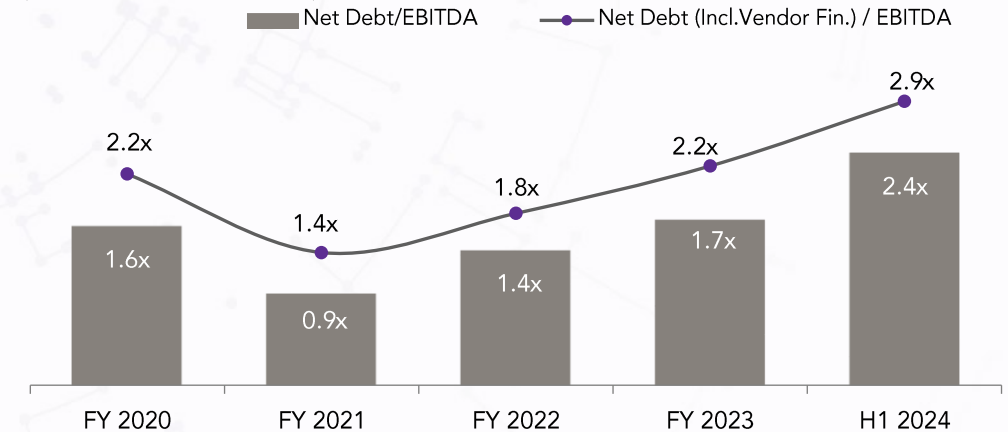
## Net Debt (EGP mn)



## Debt – Foreign Currency Portion (USD mn)



## Net Debt/EBITDA (Based on Annualized EBITDA)

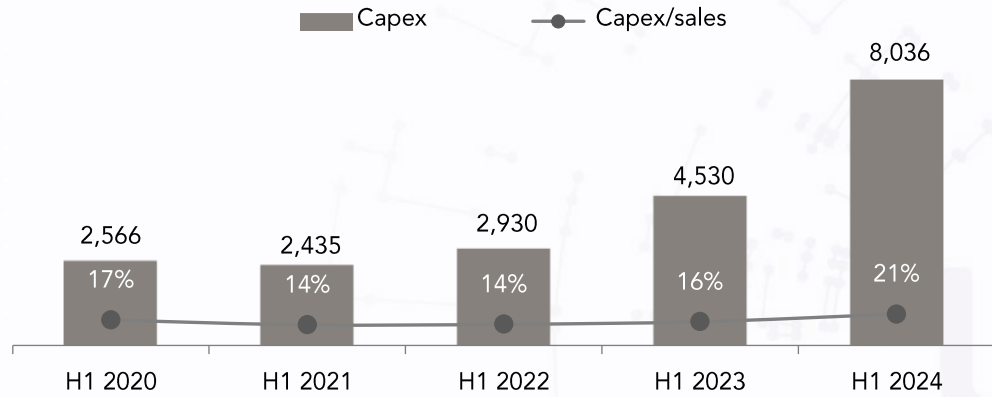




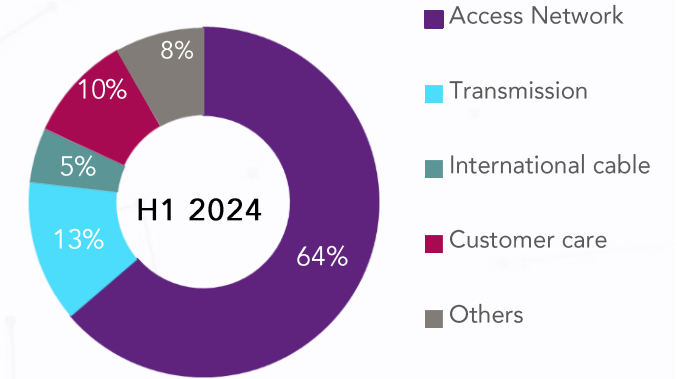
# CapEx Analysis



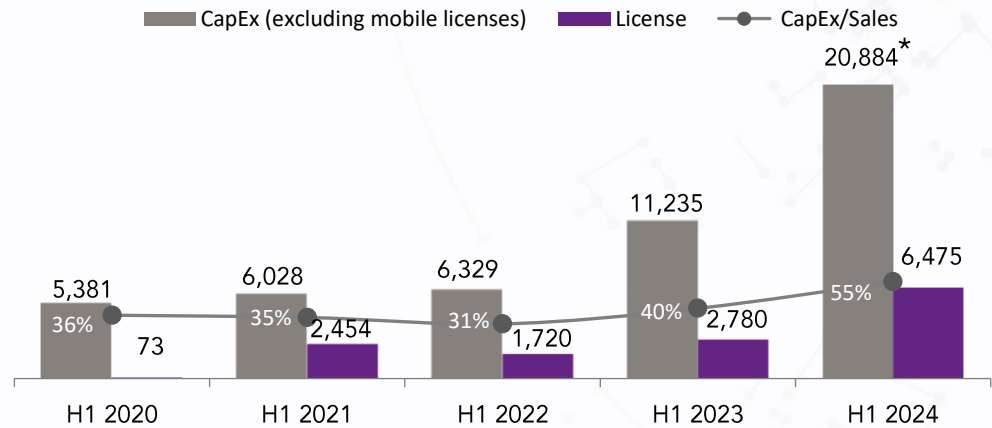
## In-Service CapEx (EGP mn)



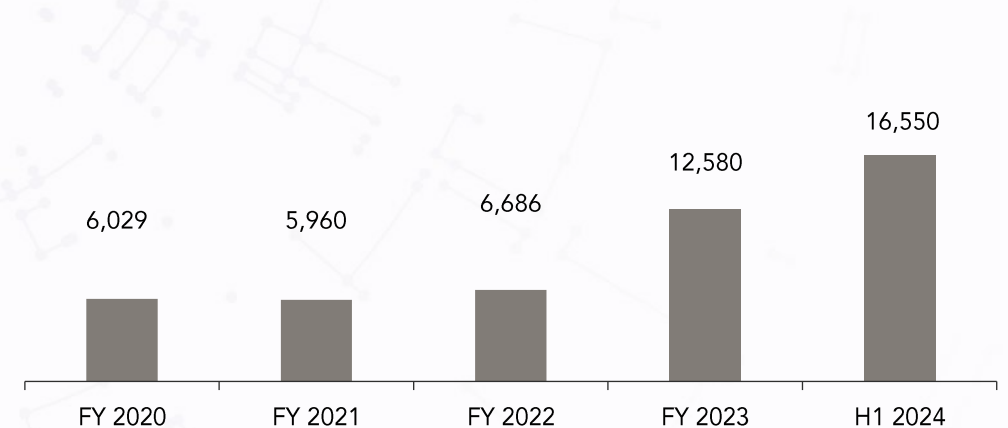
## Breakdown of In-Service CapEx



## Cash CapEx (EGP mn)



## Vendor Financing Obligations\*\* (EGP mn)

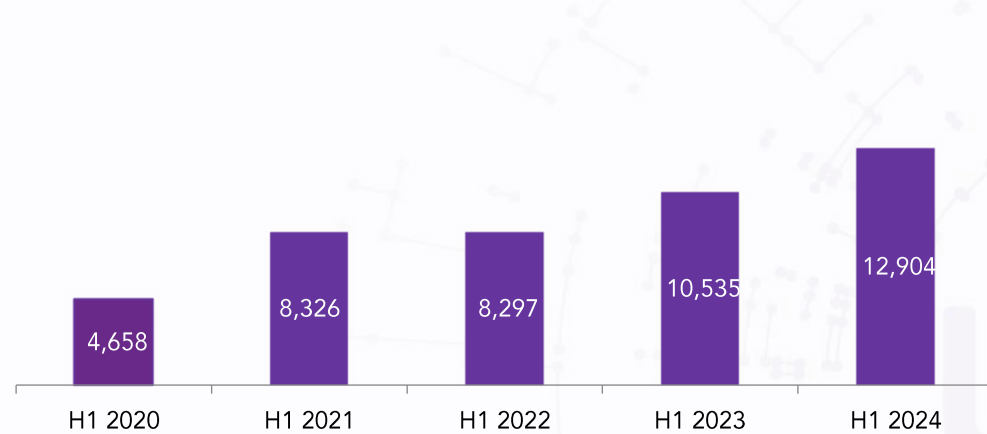


\* In H1 2024, vendor finance payments reached EGP 7.5bn, accounting for 68% of its budgeted full-year amount of EGP 10.9bn

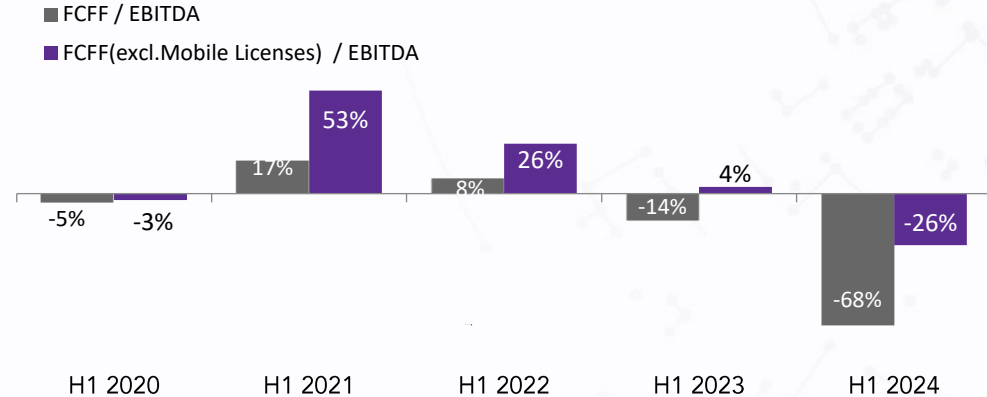
\*\* Based on USD and EURO exchange rates as of 30 June 2024

# Cash Flow Analysis

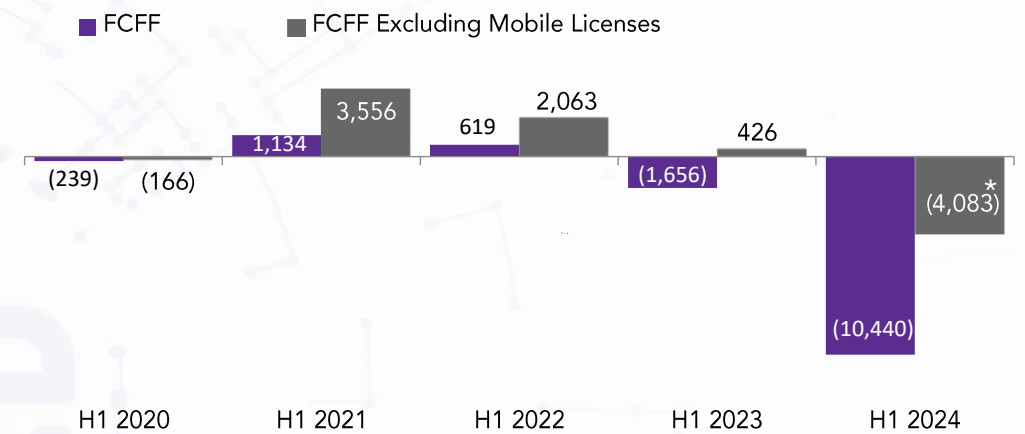
## Net Cash from Operating Activities (EGP mn)



## FCFF/EBITDA (EGP mn)

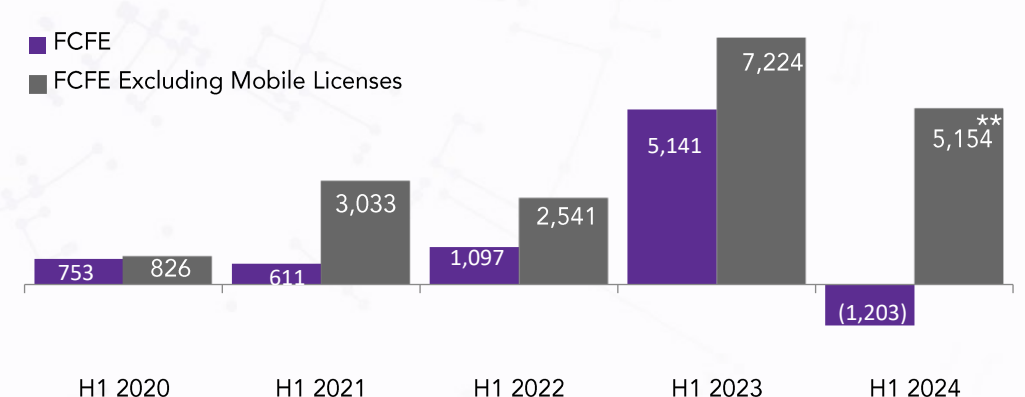


## FCFF (EGP mn)



\*Accounting for EGP 3.1bn received from VFE in July 2024 (net of tax), FCFF (excluding licenses) reach EGP -958mn.

## FCFE (EGP mn)



\*\*Accounting for EGP 3.1bn received from VFE in July 2024 (net of tax), FCFE (excluding licenses) reach EGP 1.9bn.

# Our Performance in Context

	H1 2024 actual	FY 2024 budget
Revenue growth YoY	35%	Mid double-digit
EBITDA margin (%)	41%	High 30s
CapEx/Sales (%)	In-service: 21% <sup>2</sup>	In-service: Mid 20s <sup>1</sup>
FCFF/EBITDA (%)	-26% <sup>2</sup>	Early 40s

1) Revised, excluding the mobile licenses CapEx

2) Excluding the mobile licenses CapEx



# Thank You

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