

Q3 2021 Earnings Release

11 November 2021

Telecom Egypt today announces its Q3 2021 results ending 30 September 2021.

9M 2021 key highlights

- **Consolidated revenue** reached EGP 26.4bn, climbing 18% YoY. The growth was mainly driven by higher data revenue, which made up 66% of top line growth.
- **Customer base** continued to grow YoY across the board, with fixed voice and broadband customers both increasing by 16% YoY and mobile customers by 9% YoY.
- **EBITDA** grew 37% YoY, landing at EGP 10.3bn and recording a strong margin of 39.1% on a higher margin revenue mix and cost containment initiatives.
- **Net profit** reached EGP 6.1bn (+73% YoY). Adjusted net profit reached EGP 5.7bn, growing 58% YoY on strong operational performance and higher investment income from Vodafone, counterbalancing a 24% YoY increase in D&A costs.
- **In-service CapEx** represented 16% of the top line, while cash CapEx, excluding spectrum fees, reached 32% of the top line.
- **FCFF** came in at EGP 5.8bn and EGP 1.8bn excluding dividends from Vodafone Egypt exhibiting TE's ability to generate organic cash flow.
- **Net debt** reached 14.3bn, representing 1x of annualized EBITDA, compared to 1.6x in FY 2020, while the effective interest rate declined to 5.6%, compared to 6.3% in 9M 2020.

Adel Hamed, Managing Director and Chief Executive Officer, commented:

"Our 9M-21 results have, once again, come in strong with data being the main driver of organic growth. Our top line grew 18% YoY, mainly attributable to a 31% YoY spike in data revenue, while EBITDA climbed 37% YoY, recording a healthy margin of 39.1%. Our net profit reached EGP 6.1bn, up by 58% YoY in organic terms.

We have adopted a multifaceted, sequential approach to reach financial and operational excellence, which is one of our prominent strategic pillars, involving driving growth across the P&L from revenue to earnings through cost containment initiatives, and deleveraging and restructuring our debt to reduce interest expense. Our focus has shifted to cash flow generation and capex rationalization, in addition to visibility on dividends from Vodafone Egypt, in order to achieve positive FCFF for our shareholders and ensure its progressive growth. For the nine months of 2021, we recognized an impressive positive free cash flow of EGP 5.8bn, of which, EGP 1.8bn is purely related to the organic performance of Telecom Egypt.

Our growth rates, coupled with our strong human capital and advanced network capabilities, are making our goals of becoming a leading ICT provider and transforming Egypt into a premium digital hub increasingly attainable as we continue to direct our investments towards new technologies to serve the growing appetite for data."

Telecom Egypt Latest Events

Main events in Q3 2021

- ✓ In July, TE launched voice over LTE (VoLTE) service in Egypt through its 4G network in cooperation with key technology players and handsets providers. The new technology offers a high quality and convenient voice service that can connect up to five times faster than conventional voice calls, and allows users to make calls while using 4G data services at the same time, without affecting the quality of the calls nor the data connection speed.
- ✓ In August, the 2Africa consortium comprised of China Mobile International, Facebook, MTN GlobalConnect, Orange, stc, Telecom Egypt, Vodafone and WIOCC, announced the addition of four new branches to the 2Africa cable. The branches will extend 2Africa's connectivity to Seychelles, the Comoros Islands, and Angola, and bring new landing to southeast Nigeria. The new branches join the recently announced extension to the Canary Islands.
- ✓ In September, the 2Africa consortium, comprised of China Mobile International, Facebook, MTN GlobalConnect, Orange, stc, Telecom Egypt, Vodafone, and WIOCC, announced the addition of a new segment - the 2Africa PEARLS branch - extending to the Arabian Gulf, India, and Pakistan.

Subsequent events to Q3 2021

- ✓ In October, Telecom Egypt has secured a new USD 500mn medium-term syndicated loan to be used to support its capital expenditure and refinance existing short-term facilities. First Abu Dhabi Bank PJSC ("FAB") and Mashreq Bank PSC ("Mashreq") were mandated as Joint Coordinators, Underwriters, Bookrunners, and Initial Mandated Lead Arrangers of the facility, similar to the medium-term syndicated loan obtained in October 2018.
- ✓ In November, Vodafone Egypt's (VFE) management informed Telecom Egypt (TE) that Vodafone Group (VFG) has received an initial offer from Vodacom for the transfer of VFG's stake in VFE to Vodacom. The current modified shareholders' agreement signed on 7 June 2021 by VFE's shareholders grants TE enhanced rights and benefits, and allows VFG to transfer its shareholding in VFE within the broader VFG (as has been disclosed earlier). The latter is conditional on the new shareholder submitting a deed of adherence to the new amended shareholders agreement, which VFE's management has confirmed that Vodacom has committed to with VFG.

Customer Base

(000's)	3Q 21	3Q 20	Δ %yoy	2Q 21	Δ % qoq
Fixed Line					
Voice	10,579	9,152	16%	10,297	3%
Data	7,690	6,620	16%	7,475	3%
Mobile	7,711	7,097	9%	8,140	-5%

Revenue breakdown

EGPmn	9M 21	9M 20	Δ %	3Q 21	3Q 20	Δ % YoY	2Q 21	Δ % QoQ
Home & Consumer	13,347	10,515	27%	4,718	3,756	26%	4,438	6%
Enterprise	3,446	2,917	18%	1,125	998	13%	1,193	-6%
Domestic Wholesale	4,232	3,608	17%	1,536	1,046	47%	1,332	15%
International Carriers	3,134	3,338	-6%	985	1,070	-8%	1,099	-10%
International Customers & Networks	2,219	1,968	13%	642	531	21%	912	-30%

Income statement summary

EGPmn	9M 21	9M 20	Δ %	3Q 21	3Q 20	Δ % YoY	2Q 21	Δ % QoQ
Revenue	26,379	22,347	18%	9,006	7,402	22%	8,974	0%
EBITDA	10,312	7,517	37%	3,583	2,476	45%	3,494	3%
EBIT	8,707	5,435	60%	2,927	1,889	55%	2,702	8%
NPAT	6,098	3,532	73%	2,227	1,474	51%	1,747	27%
EPS	3.57	2.07	73%	1.30	0.86	51%	1.02	27%
<i>Margins</i>								
EBITDA Margin %	39.1%	33.6%	545 bps	39.8%	33.4%	633 bps	38.9%	85 bps
EBIT Margin %	33.0%	24.3%	869 bps	32.5%	25.5%	698 bps	30.1%	239 bps
NPAT Margin %	23.1%	15.8%	731 bps	24.7%	19.9%	482 bps	19.5%	525 bps

Results discussion

Q3 2021:

- **Total revenue** reached EGP 9bn, increasing 22% YoY. The growth was supported by the spike in both retail and wholesale revenues, which climbed 23% and 19%, respectively.
- **Retail** growth was attributed to the hike in data revenue (+30% YoY), backed by customer base growth and healthy ARPU, followed by other enterprise revenue, which was led by higher managed data services and revenue from subsidiaries.
- **Wholesale** grew 19% YoY on increased domestic revenue (+47% YoY) driven by greater IRU sales.
- **EBITDA** landed at EGP 3.6bn, recording a strong margin of 39.8% on a better revenue mix and continued cost optimization efforts.
- **Operating profit** came in at EGP 2.2bn (+56% YoY), in spite of the 31% YoY increase in D&A costs.

- **Net profit** amounted to EGP 2.2bn. Adjusted for FX and impairments, net profit grew 66% YoY on improved operational performance, 35% YoY higher income from Vodafone, and the 19% YoY decrease in interest expenses.

9M 2021:

- **Top line** rose by 18% YoY, landing at EGP 26.4bn. The growth was mainly attributed to the spike in data revenue (+31% YoY), which represented 66% of total revenue growth.
 - **Home & consumer** grew 27% YoY owed to higher data and voice revenues (+31% and +12%, respectively) backed by customer base growth and healthy ARPU.
 - **Enterprise** grew 18% YoY mainly on increased other enterprise revenue led by higher managed data services and revenue from subsidiaries.
 - **Mobile** grew 34% YoY and contributed a low double-digit to total retail revenue despite the disconnection of 1.2mn customers related to the enforcement of the NTRA's new customer life cycle regulations.
 - **Wholesale** grew 8% YoY on a 17% YoY rise in domestic revenue, supported by the demand for infrastructure services from ISPs and MNOs, and a 13% YoY growth in IC&N, softening the 6% YoY decline in ICA.
 - **EBITDA** came in at EGP 10.3bn (+37% YoY) recording a strong margin of 39.1%. The growth was driven by high margin revenues, namely data & infrastructure, in addition to various cost containment efforts.
 - **Normalizing** for the 240mn reversal in tax provisions during Q1 2021, **operating profit** reached EGP 6.3bn (+52% YoY) on an enhanced revenue mix.
 - **Investment income from Vodafone** increased organically by 26% YoY after excluding the one-off provision reversal in Q1 2021.
- Net profit**, adjusted for one-off deferred tax, Vodafone's provision reversals in Q1 2021, FX, provisions, and impairments reached EGP 5.7bn (+58% YoY).

Balance sheet summary

EGPm	9M 21	FY 20	Δ %
Current Assets	16,241	17,709	-8%
Net Fixed Assets	40,503	38,141	6%
Long Term Investments	9,987	12,381	-19%
Other Long Terms Assets	17,775	16,212	10%
Total Assets	84,506	84,443	0%
Current Liabilities (Excl. STD)	16,876	17,691	-5%
CPLTD	13,880	17,009	-18%
LTD	2,192	3,278	-33%
Other Non-Current Liabilities	9,323	7,731	21%
Total Liabilities	42,272	45,709	-8%
Total Shareholder Equity	42,234	38,734	9%
Total Liabilities & Shareholder Equity	84,506	84,443	0%

Cash flow summary

EGPm	9M 21	9M 20	Δ %
Net Cash Provided By Operating Activities	12,235	5,727	114%
Net Cash Flows from Investing Activities	-7,021	-7,125	-1%
Net Cash Flows from Financing Activities	-5,459	1,299	-520%
Net Change In Cash & Cash Equivalents	-245	-98	150%
Translation Differences of Foreign entities	-8	-8	9%
Beginning of period cash	1,937	1,311	48%
End of period cash	1,684	1,206	40%

– 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 first total telecom operator in Egypt providing all telecom services to its customers including fixed and mobile voice and data services. Telecom Egypt has a long history serving Egyptian customers for over 160 years maintaining a leadership position in the Egyptian telecom market by offering its enterprise and consumer customers the most advanced technology, reliable infrastructure solutions and the widest network of submarine cables. Aside from its mobile operation "WE", the company owns a 45% 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