

Q1 2022 Earnings Release

30 May 2022

Telecom Egypt today announces its Q1 2022 results for the period ending 31 March 2022.

Q1 2022 key highlights

- **Consolidated revenue** grew 12% YoY landing at EGP 9.4bn. The growth was mainly fuelled by higher data revenue (+22% YoY) constituting 74% of top line growth, followed by higher cable and voice revenues.
- **Customer base** grew across the board with fixed voice and data customers increasing by 11% and 14% YoY, respectively and mobile customers increasing by 19% YoY crossing the 10mn mark.
- **EBITDA** came in at EGP 3.6bn, recording a healthy margin of 38% driven by an enhanced revenue mix and continued cost optimization.
- **Net profit** landed at EGP 1.4bn declining 36% YoY due to non-operational items. Excluding such items including Vodafone Egypt's one-offs, provisions, impairments and FX impact, net profit reaches EGP 1.7bn, almost flat YoY.
- **In-service CapEx/sales** recorded 16%, while **cash CapEx** reached EGP 4.8bn including the second instalment of the new spectrum.
- **Net debt** reached EGP 17.3bn, representing 1.2x of annualized EBITDA compared to 0.9x in FY2021 due to the EGP devaluation, without which it would have declined to 1.1x, while the effective interest rate declined to 4.6%.

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

"I am very proud with Telecom Egypt's operational and financial performance during this quarter on all fronts despite encountering some challenges from global headwinds. The company continued to witness growth among its BUs, with top line growing 12% YoY and EBITDA margin reaching 38%, in line with our guidance. Retail led the growth (+16% YoY), thanks to higher data revenue driven by a growing customer base across all services and healthy ARPU trends. This growth led to organic flat operating and net profit YoY, managing to lessen the impact of higher D&A costs in light of the new spectrum acquired and the devaluation accounting treatment. We continue to focus on FCFF, which organically came in at EGP 0.7bn, excluding the payment of the new spectrum's instalment. The company was able to navigate through several challenges this quarter and we continue to look forward to growth across the P&L and thrive for additional revenue streams and cost optimization efforts to future-proof the organization and enhance value to our shareholders. Our strategy to achieve these financial goals revolves around enhanced customer experience, we have put together an all-encompassing plan targeted at each customer touchpoint to move from improved service quality, to refined products to a consistent and convenient service to all customer groups across our different business units. Such plan will not only improve our value proposition to our customers, but also make us more efficient, available and ready for the future."

Telecom Egypt latest events

Main events in Q1 2022

- ✓ In mid-February, Telecom Egypt and GRID Telecom, a subsidiary of the Independent Power Transmission Operator (IPTO) in Greece, signed a strategic Memorandum of Understanding (MoU) to connect Greece and Egypt using submarine cable infrastructure.
- ✓ In late February, Telecom Egypt announced that it is extending its reach through the Southeast Asia-Middle East-Western Europe 6 (SEA-ME-WE 6) subsea cable, as part of the cable's consortium. The new cable will cross Egypt over the company's distinctive infrastructure through trans-Egypt's new geo diversified crossings and landing points from the other cables in the SEA-ME-WE family.
- ✓ In early March, Telecom Egypt and Huawei announced the building of Huawei's CDN PoP in Egypt within Telecom Egypt's new international data center in Smart Village, Cairo.
- ✓ In early March, Telecom Egypt and AFR-IX Telecom, a Barcelona-based infrastructure and telecom operator, signed a landing party agreement for the landing of the largest Mediterranean submarine cable system, Medusa, in Egypt.
- ✓ In late March, Telecom Egypt signed an agreement with the European Investment Bank (EIB) - the lending arm of the European Union - to secure a medium-term loan of € 150 million to expand Telecom Egypt's 4G broadband network.

Subsequent events to Q1 2022

- ✓ In early April, Telecom Egypt announced that EG-IX, the first open access internet exchange in Egypt, is now live and available for customers. The new Internet Exchange, powered by AMS-IX, is intended to enhance the digital experience of internet users in Egypt, Africa, and the Middle East.
- ✓ In mid April, the 2Africa consortium, comprised of China Mobile International, Meta, MTN GlobalConnect, Orange, stc, Telecom Egypt, Vodafone and WIOCC, announced the first landing of the 2Africa cable in Genoa, Italy. The landing sets the tone for more landings in the coming months as the cable is extended to a total of 46 locations by the completion of the project in 2024.

Customer Base

(000's)	1Q 22	1Q 21	Δ %yoy	4Q 21	Δ % qoq
Fixed Line					
Voice	11,175	10,045	11%	11,014	1%
Data	8,295	7,257	14%	8,027	3%
Mobile	10,162	8,519	19%	9,365	9%

Revenue breakdown

EGPm	1Q 22	1Q 21	Δ %yoy	4Q 21	Δ % qoq
Home & Consumer	5,001	4,191	19.3%	4,786	4.5%
Enterprise	1,188	1,129	5.2%	1,253	-5.2%
Domestic Wholesale	1,397	1,364	2.4%	1,615	-13.5%
International Carriers	1,034	1,050	-1.5%	1,110	-6.8%
International Customers & Networks	797	665	19.8%	1,945	-59.0%

Income statement summary

EGPm	1Q 22	1Q 21	Δ %yoy	4Q 21	Δ % qoq
Revenue	9,417	8,399	12%	10,709	-12%
EBITDA	3,578	3,235	11%	3,882	-8%
EBIT	2,114	3,078	-31%	2,981	-29%
NPAT	1,366	2,124	-36%	2,319	-41%
EPS	0.80	1.24	-36%	1.36	-41%
Margins					
EBITDA Margin %	38.0%	38.5%	(52 bps)	36.2%	175 bps
EBIT Margin %	22.5%	36.6%	(1,419 bps)	27.8%	(538 bps)
NPAT Margin %	14.5%	25.3%	(1,078 bps)	21.7%	(714 bps)

Results discussion

Q1 2022:

- **Top line** climbed 12% YoY on strong retail performance (+16% YoY), followed by higher wholesale revenue (+5% YoY).
- **Home & Consumer** grew 19% YoY due to higher data and voice revenues (22% & 10%), on a growing customer base and healthy ARPUs.
- **Mobile** grew 36% YoY on a higher customer base +19% YoY, contributing c25% to retail revenue growth.
- **Wholesale** increased 5% due to the annual growth in **IC&N** revenue and **Domestic revenue** by 20% and 2%, respectively.
- **ICA** revenue declined slightly by 1.5% due to the global trend of international voice service decline.
- **EBITDA** landed at EGP 3.6bn, growing 11% YoY and recording a strong margin of 38% in line with management's guidance.
- Organic **income from VFE** was flat YoY at c600mn. The below average results in the quarter reflect a FX loss of EGP 222mn along with impacts related to the accounting of employee profit share and spectrum amortization leading to higher than usual results last year and lower than usual results this year.
- **Normalized net profit** landed at EGP 1.7bn, declining 5% YoY, excluding non-operational items including VFE one-offs, provisions, impairments and FX gains. The bottom line decline mainly stems from an EGP160mn spectrum amortization and FX effect on depreciation, without which net profit would have grown 4%.

Balance sheet summary

EGPm	1Q 22	FY 21	Δ %
Current Assets	21,536	17,292	25%
Net Fixed Assets	44,234	43,465	2%
Long Term Investments	11,328	11,011	3%
Other Long Terms Assets	22,441	18,916	19%
Total Assets	99,539	90,684	10%
Current Liabilities (Excl. STD)	28,352	21,649	31%
CPLTD	7,109	5,333	33%
LTD	13,391	10,988	22%
Other Non-Current Liabilities	9,018	8,385	8%
Total Liabilities	57,870	46,355	25%
Total Shareholder Equity	41,670	44,330	-6%
Total Liabilities & Shareholder Equity	99,539	90,684	10%

Cash flow summary

EGPm	1Q 22	1Q 21	Δ %
Net Cash Provided By Operating Activities	2,622	3,427	-23%
Net Cash Flows from Investing Activities	-5,460	-4,923	11%
Net Cash Flows from Financing Activities	2,388	934	156%
Net Change In Cash & Cash Equivalents	-449	-562	-20%
Translation Differences of Foreign entities	24	-5	542%
Beginning of period cash	2,923	1,937	51%
End of period cash	2,498	1,370	82%

– 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