

## Q3 2022 Earnings Release

Cairo, Egypt

November 14, 2022

Telecom Egypt has today published its audited consolidated financial statements for the nine-month period ending September 30, 2022.

### 9M 2022 key highlights

- **Consolidated revenue** increased by 22% YoY to report EGP 32.3bn, thanks to higher revenues from both data (+21% YoY) and cable projects—representing 39% and 30% of the total growth, respectively.
- **Customer base** grew on all fronts, with fixed voice reaching 11.4mn subscribers (+8% YoY), fixed broadband reaching 8.6mn subscribers (+12% YoY), and mobile subscribers reaching 11.9mn (+54% YoY).
- **EBITDA** landed at EGP 13.3bn, achieving a strong margin of 41% driven by an improved revenue mix.
- **Operating profit** landed at EGP 8.3bn, increasing by 30% YoY, overshadowing the 25% D&A increase.
- **Net profit** reached EGP 6.2bn; however, excluding one-offs (Vodafone reversals, provisions and FX impacts) **normalized net profit** grew 25% YoY to record EGP 7.1bn.
- **In-service capex** reported EGP 5.2bn, implying in-service capex/sales of 16%, while **cash capex** reported EGP 11.2bn, implying cash capex/sales of 35%. Excluding payment of the recently awarded spectrum and the 2G license instalments, cash capex/sales would reach 29%.
- **Net debt** landed at EGP 17.9bn (up from EGP 13.3bn in FY 2021) due to the currency devaluation, denoting 1x net debt/annualized EBITDA.

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

"I'm proud of the resilience Telecom Egypt is showing. The clear-cut wins quarter after quarter, and accordingly, positive 9M 2022 results, reflect our solid stance in the turbulent operational environment.

Data demand was the main contender for the 22% YoY upscale in top line—directly through retail data growth (21% YoY) and indirectly through higher cable project and domestic wholesale revenues recorded year-to-date. Meanwhile, EBITDA reached a strong margin of 41%, supported by an improved revenue mix, growing customer base and healthy ARPU on the operational front. Our net profit reached EGP 6.2bn, making up 19% of the top line.

Despite inflationary pressures witnessed across the various cost elements in 9M 2022 (the two-time salary increase, higher interest expense and currency devaluation—which inflated capex), we maintained our FCFF position in the positive territory, amounting to EGP 0.3bn, thanks to healthy operations and Vodafone dividends. However, excluding the payment of the recently awarded spectrum and the 2G license instalments FCFF would have reached EGP 2.3bn.

We're confident that growing USD revenue streams and capex rationalization will continue to pay off—further enhancing our cash flow stance going forward. Additionally, we are committed to exceeding client expectations by providing cutting-edge technology services of the highest caliber while advancing the nation's digitalization program. By doing so, and with the plan in place to face further market disruptions, we are confident that we will continue our growth story moving forward. This will ensure that we remain resilient and financially sound, fulfilling our responsibility to all stakeholders. As always, we will have the best interests of all of our shareholders in mind if and when we need to make any investment-related decisions."

## Telecom Egypt - Main event in Q3 2022

- ✓ In August, Telecom Egypt announced the signature of a commercial agreement with Orange Egypt for national roaming services. The five-year agreement, which extends until the end of 2027, will ensure that Telecom Egypt continues to provide high-quality voice and data mobile network coverage to its customers nation-wide.

### Customer base

(000s)	Q3 22	Q3 21	Δ % YoY	Q2 22	Δ % QoQ
Fixed Line					
Voice	11,412	10,579	8%	11,277	1%
Data	8,610	7,690	12%	8,435	2%
Mobile	11,870	7,711	54%	11,740	1%

### Revenue breakdown

EGP mn	9M 22	9M 21	Δ %	Q3 22	Q3 21	Δ % YoY	Q2 22	Δ % QoQ
Home & Consumer	15,871	13,347	19%	5,532	4,718	17%	5,338	4%
Enterprise	3,947	3,446	15%	1,328	1,125	18%	1,432	-7%
Domestic Wholesale	4,658	4,232	10%	1,568	1,536	2%	1,693	-7%
International Carriers	3,463	3,134	10%	1,129	985	15%	1,300	-13%
International Customers & Networks	4,335	2,219	95%	2,316	642	261%	1,222	90%

## Income statement summary

EGP mn	9M 22	9M 21	Δ %	Q3 22	Q3 21	Δ % YoY	Q2 22	Δ % QoQ
Revenue	32,274	26,379	22%	11,873	9,006	32%	10,984	8%
EBITDA	13,339	10,312	29%	5,279	3,583	47%	4,482	18%
EBIT	10,324	8,707	19%	4,428	2,927	51%	3,781	17%
NPAT	6,170	6,098	1%	2,389	2,227	7%	2,415	-1%
EPS	3.61	3.57	1%	1.40	1.30	7%	1.41	-1%
<i>Margins</i>								
<i>EBITDA Margin %</i>	41%	39%	224 bps	44%	40%	468 bps	41%	366 bps
<i>EBIT Margin %</i>	32%	33%	(102 bps)	37%	33%	480 bps	34%	287 bps
<i>NPAT Margin %</i>	19%	23%	(400 bps)	20%	25%	(461 bps)	22%	(187 bps)

## Results discussion

### Q3 2022

- **Total revenue** increased by 32% YoY, mainly driven by recognition of EGP 1.6bn cable projects revenue followed by 19% higher data revenues.
- **Home & Consumer and Enterprise** grew 17% and 18% YoY, respectively, backed by strong data and voice performance thanks to a growing customer base and healthier ARPU trends.
- **Mobile** grew 34% YoY due to a higher subscriber base (+54% YoY), representing a high single-digit of top line growth.
- **Wholesale** surged 59% YoY, reporting a total of EGP 5bn due to growth across all business units. **Domestic** came almost flat with a 2% YoY increase, backed by 3% increase in infrastructure revenue. **ICA** increased 15% YoY, thanks to IDD revenue increase (EGP 151mn, +21% YoY) on higher traffic and USD appreciation. **IC&N** inflated 3.6x due to EGP 1.6bn cable project revenue recognition.
- **EBITDA** showed 47% YoY hike, landing at EGP 5.3bn, recording an astonishingly high margin of 44%, exceeding management's guidance.
- **Net profit** adjusted for provisions and FX impacts came at EGP 3bn (+40% YoY), driven by strong operational performance and higher investment income from Vodafone of 63% and 33% YoY, respectively.

## 9M 2022

- **Total revenue** reached EGP 32.3bn, increasing by EGP 5.9bn (+22% YoY) with retail and wholesale segments contributing almost equally to that growth.
- **Home & consumer** grew 19% YoY, representing 83% of retail growth. This was mainly backed by the 21% data surge related to the growing customer base and healthy ARPUs.
- **Enterprise** marked a 15% YoY increase supported by growth on all fronts, especially managed data (+ EGP 336mn).
- **IC&N** hiked by EGP 2.1bn (+95% YoY) due to recognition of the EGP 1.6bn Sea-Me-We 6 cable revenue, in addition to EGP 316mn increase in capacity sales.
- **EBITDA** reported EGP 13.3bn (+29% YoY), implying a 41% margin supported by a strong revenue mix and cost containment efforts.
- **Net profit** reached EGP 6.2bn due to strong operational performance overshadowing the 25% D&A increase. However, excluding one-offs (Vodafone reversals, provisions and FX impacts) **normalized net profit** grew 25% YoY to record EGP 7.1bn.

## Balance sheet summary

EGP mn	9M 22	FY 21	Δ %
Current Assets	21,024	16,850	25%
Net Fixed Assets	44,738	43,465	3%
Long Term Investments	11,613	11,011	5%
Other Long Terms Assets	22,442	18,748	20%
<b>Total Assets</b>	<b>99,817</b>	<b>90,074</b>	<b>11%</b>
Current Liabilities (Excl. STD)	24,953	21,207	18%
CPLTD	7,469	5,333	40%
LTD	12,797	10,988	16%
Other Non-Current Liabilities	8,208	8,217	0%
<b>Total Liabilities</b>	<b>53,426</b>	<b>45,745</b>	<b>17%</b>
<b>Total Shareholder Equity</b>	<b>46,391</b>	<b>44,330</b>	<b>5%</b>
<b>Total Liabilities &amp; Shareholder Equity</b>	<b>99,817</b>	<b>90,074</b>	<b>11%</b>

## Cash flow summary

EGP mn	9M 22	9M 21	Δ %
Net Cash Provided by Operating Activities	9,770	12,235	-20%
Net Cash Used in Investing Activities	-9,979	-6,828	46%
Net Cash Used in Financing Activities	-445	-5,651	-92%
<b>Net Change in Cash &amp; Cash Equivalents</b>	<b>-653</b>	<b>-245</b>	<b>167%</b>
Translation Differences of Foreign Entities	18	-8	314%
Beginning of Period Cash	2,923	1,937	51%
<b>End of Period Cash</b>	<b>2,287</b>	<b>1,684</b>	<b>36%</b>

– End –

Please refer to Telecom Egypt's full financial statements that can be downloaded from the website [ir.te.eg](http://ir.te.eg)

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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](http://ir.te.eg)