

## Q2 2021 Earnings Release

10 August 2021

Telecom Egypt today announces its Q2 2021 results ending 30 June 2021.

### H1 2021 key highlights

- **Consolidated revenue** landed at EGP 17.4bn, growing 16% YoY on a 31% YoY hike in data followed by voice and other enterprise revenues.
- **Customer base** continued to grow YoY across the board with fixed voice customers increasing 6% YoY, fixed data 18% YoY, and mobile customers 21% YoY.
- **EBITDA** came in at EGP 6.7bn, growing 33% YoY and recording a strong margin of 39% on a higher margin revenue mix and cost containment efforts.
- **Net profit** reached EGP 3.9bn (+88% YoY) thanks to a strong operational performance, growth in investment income from Vodafone, and FX gains. Normalizing non-operational items including a one-off deferred tax and Vodafone provision reversals in Q1 2020 in addition to FX, provisions, and impairments, net profit would reach EGP 3.5bn, growing 54% YoY.
- **In-service CapEx** came in at EGP 2.4bn, 14% of sales, while cash CapEx stood at EGP 6.0bn, excluding spectrum fees, representing 35% of top line.
- **Net debt** amounted to 19bn, representing 1.4x of annualized EBITDA, compared to 1.6x in FY 2020, while the effective interest rate declined to 5.7% compared to 6.9% in H1 2020.

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

"I am very proud of our performance during the first half of the year, as we continue to deliver on our growth targets; both operationally and financially. Top line grew 16% YoY mainly owed to significant data growth of 31% YoY, which, in parallel to the continued cost containment efforts, sustained the improved profitability. EBITDA margin came in at 39% and operating profit grew almost 60% YoY, trickling down to an organic net profit growth of 54% YoY.

Our focus on cash flow is also evident in this quarter's results and in the recent announcement of a modified shareholders' agreement with Vodafone Group. In the first half of the year, we have doubled our net operating cash flow and reached a positive free cash flow, both including and excluding Vodafone Egypt's dividends of EGP 1bn and EGP 0.2bn, respectively, the latter being a first in five years, which is a substantial milestone, especially considering the EGP 2.4bn spectrum payment in Q1.

We have provided guidance to the market before that our aim is to translate the impressive top line growth to our bottom line and subsequently to cash flows. That, combined with Capex rationalization and sustainable dividends from Vodafone Egypt, would yield sustainable positive cash flows in the future. We were aiming for this outcome while negotiating the amended shareholders' agreement with Vodafone Group and we will continue to work on several other work streams to ensure Telecom Egypt's leadership in the market across all fronts. We are also happy to inform you that we have received the second tranche of Vodafone Egypt's exceptional distribution of EGP 3.6bn in July."

## Telecom Egypt Latest Events

### Main events in Q2 2021

- ✓ In April, the NTRA enforced new rules on the customer life cycle, effective 1<sup>st</sup> of April, limiting the line validity to 90 days active for prepaid customers and 180 days for postpaid customers. The impact of such was visible in Q2 2021.
- ✓ In June, Telecom Egypt and Vodafone Group signed a modified shareholders' agreement. The agreement includes changes to Vodafone Egypt's dividend policy, whereby VFE will pay a one-time dividend of EGP10bn to its shareholders during the 2021 calendar year, EGP 2bn of which was paid in March and EGP 8bn in July. The parties have also agreed on a minimum dividend payout ratio of 60% of free cash flow going forward. TE maintains its existing rights in the agreement and has obtained certain enhanced minority rights including access to information.

### Subsequent events to Q2 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 allow for simultaneously making voice calls while using 4G data services without affecting the quality of the calls or the data connection speed.

### Customer Base

(000's)	2Q 21	2Q 20	Δ %yoy	1Q 21	Δ % qoq
<b>Fixed Line</b>					
Voice	10,297	9,688	6%	10,045	3%
Data	7,475	6,333	18%	7,257	3%
<b>Mobile</b>	8,140	6,720	21%	8,516	-4%

### Revenue breakdown

EGPmn	H1 21	H1 20	Δ %	2Q 21	2Q 20	Δ % YoY	1Q 21	Δ % QoQ
Home & Consumer	8,629	6,759	28%	4,438	3,629	22%	4,191	6%
Enterprise	2,321	1,918	21%	1,193	1,132	5%	1,129	6%
Domestic Wholesale	2,696	2,562	5%	1,332	1,314	1%	1,364	-2%
International Carriers	2,149	2,268	-5%	1,099	1,132	-3%	1,050	5%
International Customers & Networks	1,577	1,438	10%	912	734	24%	665	37%

## Income statement summary

EGPmn	H1 21	H1 20	Δ %	2Q 21	2Q 20	Δ % YoY	1Q 21	Δ % QoQ
Revenue	17,373	14,945	16%	8,974	7,941	13%	8,399	7%
EBITDA	6,729	5,041	33%	3,494	2,758	27%	3,235	8%
EBIT	5,780	3,546	63%	2,702	1,889	43%	3,078	-12%
NPAT	3,872	2,059	88%	1,747	746	134%	2,124	-18%
EPS	2.27	1.21	88%	1.02	0.44	134%	1.24	-18%
<i>Margins</i>								
EBITDA Margin %	38.7%	33.7%	500 bps	38.9%	34.7%	420 bps	38.5%	41 bps
EBIT Margin %	33.3%	23.7%	954 bps	30.1%	23.8%	632 bps	36.6%	(653 bps)
NPAT Margin %	22.3%	13.8%	851 bps	19.5%	9.4%	1,007 bps	25.3%	(582 bps)

## Results discussion

### Q2 2021:

- **Total revenue** reached EGP 9bn, increasing 13% YoY. The growth was mainly driven by an 18% YoY spike in retail revenue.
- **Retail** revenue constituted 84% of top line growth due to the YoY increase in both data and voice revenues by 27% and 14%, respectively, on a growing customer base and healthy ARPUs.
- **Wholesale** grew 5% YoY driven by higher IC&N revenue that offset the decline in ICA revenue in light of the decreasing trend of international incoming calls. IC&N revenue included projects revenue of EGP 294mn related to 2Africa.
- **EBITDA** landed at EGP 3.5bn, recording a margin of 39% thanks to the contribution of higher margin revenues to top line, especially data, and the continuing cost containment efforts.
- **Operating profit** grew 39% YoY in spite of a 24% YoY increase in D&A costs.
- **Net profit** amounted to EGP 1.7bn. Normalizing for FX & impairments, net profit grew 36% YoY on improved operational performance and higher income from Vodafone (+14% YoY).

### H1 2021:

- **Top line** reached EGP 17.4bn, increasing 16% YoY on higher data revenues (+31% YoY), which represented 71% of total revenue growth.
- **Enterprise** grew 21% YoY mainly due to a 23% YoY rise in other enterprise revenue relating to higher managed data services and revenue from subsidiaries.
- **Wholesale** witnessed a slight 2% YoY increase supported by higher IC&N and domestic revenues by 10% and 5% YoY, respectively. The growth in domestic revenue was driven by the growing demand for data from ISPs and MNOs.

- **ICA** witnessed a 5% YoY decline as a 21% YoY drop in traffic was softened by a 19% YoY growth in low margin transit revenue.
- **EBITDA** stood at EGP 6.7bn, recording a margin of 39%, exceeding management's FY guidance on a higher margin revenue mix.
- Adjusted for the reversal of EGP 240mn in tax provisions during Q1 2021, **operating profit** reached EGP 4.1bn (+50% YoY) on an enhanced revenue mix.
- **Investment income from Vodafone** increased organically by 21% YoY after excluding the one-off provision reversal in Q1 2021 of cEGP 350mn.
- **Net profit** came in at EGP 3.9bn, growing 88% YoY owing to a strong operational performance, FX gains, and the organic increase in investment income from Vodafone. Normalized for a one-off deferred tax and Vodafone provision reversals in Q1 2021 in addition to FX, provisions, and impairments, net profit would grow 54%.

## Balance sheet summary

EGPm	H1 21	FY 20	Δ %
Current Assets	19,749	17,709	12%
Net Fixed Assets	39,410	38,141	3%
Long Term Investments	9,233	12,381	-25%
Other Long Terms Assets	18,142	16,212	12%
<b>Total Assets</b>	<b>86,534</b>	<b>84,443</b>	<b>2%</b>
Current Liabilities (Excl. STD)	17,328	17,691	-2%
CPLTD	17,782	17,009	5%
LTD	2,526	3,278	-23%
Other Non-Current Liabilities	8,886	7,731	15%
<b>Total Liabilities</b>	<b>46,522</b>	<b>45,709</b>	<b>2%</b>
<b>Total Shareholder Equity</b>	<b>40,012</b>	<b>38,734</b>	<b>3%</b>
<b>Total Liabilities &amp; Shareholder Equity</b>	<b>86,534</b>	<b>84,443</b>	<b>2%</b>

## Cash flow summary

EGPm	H1 21	H1 20	Δ %
Net Cash Provided By Operating Activities	8,326	4,658	79%
Net Cash Flows from Investing Activities	-7,785	-5,240	49%
Net Cash Flows from Financing Activities	-1,215	706	-272%
<b>Net Change In Cash &amp; Cash Equivalents</b>	<b>-674</b>	<b>124</b>	<b>-645%</b>
Translation Differences of Foreign entities	-3	-7	-61%
Beginning of period cash	1,937	1,311	48%
End of period cash	1,260	1,428	-12%

– 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)