

Q1 2024 Earnings Release

Cairo, Egypt

30 May 2024

Telecom Egypt (Ticker: ETEL.CA; TEEG.LN) today announced its audited Q1 2024 financial results, according to the Egyptian Accounting Standards (EAS), for the period ending 31 March 2024.

Q1 2024 key highlights

- **Consolidated revenue** grew 25% YoY to reach EGP 17.5bn, mainly on the back of continued growth in data, which accounted for 62% of total revenue growth, followed by capacity sales and IDD, contributing 17% and 11% to revenue growth, respectively.
- **Customer base** grew across the board: Fixed voice and broadband up 9% and 8% YoY, respectively, while mobile customers increased by 4% YoY to reach 13mn.
- **EBITDA** increased 19% YoY, landing at EGP 7.3bn, with a notable 42% margin. This performance underscores the company's robust organic growth, including the impact of the strategic price adjustments.
- **Operating profit** landed at EGP 3.6bn, down 5% YoY due to 41% higher D&A costs YoY, in addition to provisions recorded during the quarter.
- **Net profit** reported EGP 3.9bn, with a 22% margin, marking a modest 2% increase YoY, as the robust financial performance was partially offset by the 2.2x hike in the interest expense, the 41% YoY increase in D&A, and the flat income from associates, mainly due to the currency devaluation.
- **FCFF** amounted to EGP -4.7bn (EGP 1.6bn excluding mobile licenses CapEx), implying an FCFF/EBITDA ratio of -65%.
- **In-service CapEx**, excluding the license fee, landed at EGP 1.6bn (representing 9% of revenues), while **cash CapEx**, including the license fee, reached EGP 15.0bn, recording an 86% cash CapEx to sales ratio.
- **Net debt/EBITDA (excluding vendor finance)** recorded 2.1x vs. 1.9x in Q4 2023, despite gross debt being inflated by +62% QoQ due to the revaluation of our foreign-currency debt, with no additional debt drawn.

Mohamed Nasr Eldin, Managing Director and Chief Executive Officer, commented:

"I'm glad to report the continuation of our growth momentum at the beginning of the year. Our Q1 2024 operational and financial results reflect the resilience of our business in the face of macroeconomic challenges. Our top line increased by 25% YoY, reaching EGP 17.5bn, recording the

highest quarterly revenue to date. Our EBITDA grew 19% YoY, amounting to EGP 7.3bn, despite the inflationary pressures.

We remain committed to enhancing our free cash flow in the period ahead through several strategic initiatives, including the phasing out of our CapEx, without humbling the growth momentum we have achieved.

As the year progresses, we will focus on enhancing our cost efficiency and on monetizing our assets, particularly those that generate returns in foreign currency. In addition, we will soon begin to harness the power of our newly awarded 5G license and maximize the impact of our diverse commercial offerings for the advantage of our customers. I can confidently say we are poised for the next phase of growth across all areas of our business. We have many opportunities to pursue and will continue executing our strategy, focusing on our core strengths to better serve our customers, and increase shareholders' value."

Telecom Egypt latest events

Main events in Q1 2024

- ✓ In mid-January, the National Telecommunications Regulatory Authority granted Telecom Egypt the country's first license to install and operate fifth generation (5G) networks for mobile phones at a cost of USD 150m. The 5G license will be valid for a 15-year period.
- ✓ In late January, in a ground-breaking move to enhance regional connectivity, Telecom Egypt joined forces with NaiTel. Together, they announced the signing of a Joint Build Agreement to construct Coral Bridge.
- ✓ In early February, 4iG Plc and Telecom Egypt reached an agreement on the terms of cooperation for the construction of an express subsea cable between Albania and Egypt.
- ✓ Also in early February, e&, Telecom Egypt, Telin and a major Indian operator signed a new Memorandum of Understanding to form a consortium with the aim to develop 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.
- ✓ Telecom Egypt 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, and reinforce Egypt's role as a pivotal hub for global telecommunications.

Customer base

(000s)	Q1 24	Q1 23	Δ % YoY	Q4 23	Δ % QoQ
Fixed Line					
Voice	12,783	11,727	9%	12,480	2%
Data	9,639	8,907	8%	9,518	1%
Mobile	13,002	12,444	4%	12,449	4%

Revenue breakdown

EGP mn	Q1 24	Q1 23	Δ % YoY	Q4 23	Δ % QoQ
Home & Consumer	8,244	5,917	39%	6,550	26%
Enterprise	1,996	1,691	18%	1,802	11%
Domestic Wholesale	1,733	2,469	-30%	1,784	-3%
International Carriers	2,636	1,859	42%	2,018	31%
International Customers & Networks	2,878	2,022	42%	2,568	12%

Income statement summary

EGP mn	Q1 24	Q1 23	Δ % YoY	Q4 23	Δ % QoQ
Revenue	17,487	13,959	25%	14,721	19%
EBITDA	7,309	6,142	19%	5,074	44%
EBIT	4,520	4,706	-4%	3,259	39%
NPAT	3,882	3,813	2%	2,317	68%
EPS	2.3	2.2	2%	1.4	68%
Margins					
EBITDA Margin %	42%	44%	(220 bps)	34%	733 bps
EBIT Margin %	26%	34%	(787 bps)	22%	371 bps
NPAT Margin %	22%	27%	(512 bps)	16%	646 bps

Results discussion

Q1 2024:

- **Top line** grew 25% YoY backed by strong retail growth of 35% YoY. The wholesale grew by 14% YoY.
- **Home & Consumer** increased 39% YoY due to higher data and voice revenues of 44% and 20%, respectively, thanks to a growing customer base and enhanced ARPUs as a result of the price up at the start of the year.

- **Mobile** grew 38% YoY thanks to the improved ARPU (also from the price up), representing an early double-digit of the retail revenue growth.
- **Wholesale** witnessed a 14% YoY increase mainly due to an almost 100% increase in capacity sales, a 29% increase in IDD, and a 52% increase in cable projects. The aforementioned increases were driven by both volume growth and the FX effect, offsetting the 30% decrease in domestic revenue due to the absence of IRU circuits revenue during this quarter compared to EGP 0.9bn recognized in the same period last year, a base effect that will be neutralized by the full year.
- **EBITDA** landed at EGP 7.3bn, increasing 19% YoY and recording a robust 42% margin.
- **D&A** hiked 41% YoY, driven by new additions and the change in FX rate during the period.
- **Income from associates** came flat YoY reporting EGP 0.9bn, despite higher operating margins, yet was impacted by FX loss recognized on their P&L during Q1 2024 related to the currency devaluation.
- **Net profit** landed at EGP 3.9bn, remaining almost flat YoY, as the strong operating performance was partially offset by the 2.2x hike in the interest expense, the 41% YoY increase in D&A, and the flat income from associates, mainly due to the currency devaluation.

Balance sheet summary

EGP mn	Q1 24	FY 23	Δ %
Current Assets	40,517	34,360	18%
Net Fixed Assets	86,736	77,847	11%
Long Term Investments	15,871	14,968	6%
Other Long Terms Assets	33,678	23,465	44%
Total Assets	176,802	150,640	17%
Current Liabilities (Excl. STD)	50,719	37,800	34%
CPLTD	44,435	29,616	50%
LTD	28,081	19,726	42%
Other Non-Current Liabilities	12,788	12,613	1%
Total Liabilities	136,023	99,755	36%
Total Shareholder Equity	40,779	50,885	-20%
Total Liabilities & Shareholder Equity	176,802	150,640	17%

Cash flow summary

EGP mn	Q1 24	Q1 23	Δ %
Net Cash Provided by Operating Activities	8,618	5,787	49%
Net Cash Flows from Investing Activities	-14,841	-5,897	-152%
Net Cash Flows from Financing Activities	5,309	5,607	-5%
Net Change In Cash & Cash Equivalents	-914	5,497	-117%
Translation Differences of Foreign entities	151	23	546%
Beginning of Period Cash	10,443	6,752	55%
End of Period Cash	9,679	12,273	-21%

– End –

Please refer to Telecom Egypt's full financial statements that can be downloaded from the website ir.te.eg

For more information, contact:

The investor relations team

Email: investor.relations@te.eg

Conference Call Information

A conference call to discuss Telecom Egypt's financial results, outlook and related matters will be held at 3:00pm (Cairo) | 5:00 pm (Dubai) | 1:00 pm (London) | 8:00 am (NY) today. Members of the public who would like to listen to the conference call can join using [this link](#) (webinar ID: 891 7564 4493 and password number 687847). There is no charge to access the call. For those unable to listen to the live broadcast, a replay will be available on the firm's website beginning approximately three hours after the event at <https://ir.te.eg/en/FinancialInformation/QuarterlyResults>. Please direct any questions regarding obtaining access to the conference call to the Investor Relations team, via e-mail, at investor.relations@te.eg

About Telecom Egypt

Telecom Egypt is a full-service telecom operator in Egypt, providing a wide array of telecom services to a diverse customer base. Serving individuals, communities, SOHOs, SMEs and large enterprises, Telecom Egypt offers a comprehensive, innovative, and diversified portfolio of services, ranging from fixed and mobile voice to essential data solutions that are crucial in today's digital landscape. These services also include high-speed internet, smart solutions, data center facilities, and cloud computing solutions tailored for businesses. With a rich heritage of about 170 years, Telecom Egypt continues to lead the Egyptian telecom market by providing cutting-edge technology, robust infrastructure, and an extensive network of subsea cables to meet the needs of its enterprise and consumer clientele. The company's pivotal role in Egypt's telecommunications landscape is underscored by its expansive network coverage, broad service range, and dedication to fostering innovation. Aside from its mobile operation "WE", Telecom Egypt holds a significant 45% ownership 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