

Q1 2020 Earnings Release

11 June 2020

Telecom Egypt today announces its Q1 2020 results ending 31 March 2020.

Q1 2020 key highlights

- **Consolidated revenue** closed at EGP 7bn, growing 15% YoY. The increase is mainly attributable to strong retail performance (+24% YoY) thanks to higher data revenue (+31% YoY).
- **Customer base** grew across the board with fixed voice increasing by 18% YoY, fixed data customers by 7% YoY, and mobile customers by 46% YoY.
- **EBITDA** landed at EGP 2.3bn, growing 20% YoY with a margin of 33% thanks to the higher margin revenue mix.
- **Operating profit** reached EGP 1.2bn, growing 4% YoY thanks to the strong top line growth that offset the hike in D&A caused by the accelerated CapEx program.
- **Net profit** came in at EGP 1.3bn, declining 19% YoY due to a 28% YoY decline in investment income from Vodafone, which offset the strong operational growth and the FX gains.
- **In-service CapEx intensity** recorded 11%.
- **Net debt** amounted to EGP 15.6bn, representing 1.7x of annualized EBITDA declining from 2.1x in FY 2019 (adjusted for the ERP).

Adel Hamed, Group Chief Executive, commented:

“First, I would like to extend my well wishes to everyone; I hope you are safe and healthy during such trying times. Secondly, we are very pleased to announce that Telecom Egypt has delivered solid results in the first quarter of 2020, including strong financial and operational performance. Data revenue continued to lead growth with a 65% contribution to top line growth followed by high cable projects and voice revenues in light of the continued monetization of our infrastructure investments and customer base expansions.

In the wake of the COVID-19 pandemic, the Egyptian government has taken decisive actions to protect all residents such as implementing curfews, shutting down schools, and imposing travel restrictions. As a result, we have seen a significant spike in data usage given the new social distancing and work-from-home policies that increased overall dependency on data. Effectively, the investments that Telecom Egypt undertook over the past few years paid off for our customers and the Company. Our network has been resilient and we have adapted very quickly to the new norm to meet the increasing demand for our services. Additionally, we have undertaken numerous steps to ensure that we are stepping up to assist the society in such dire times through our various CSR initiatives.”

Telecom Egypt latest events

Main events in Q1 2020

- ✓ Following the news regarding Vodafone Group's intention to divest its stake in Vodafone Egypt, Telecom Egypt announced that it has appointed EFG Hermes and Citi as investment advisors and Al Tamimi & Co. as legal advisors to study its options and their consequences in light of the company's rights in this potential transaction, which include:
 - its right of first refusal granted in Vodafone Egypt's shareholders' agreement and its articles of association;
 - the right to accept a mandatory tender offer in accordance with the letter received from the Egyptian Financial Regulatory Authority in regards to the application of Chapter 12 of the Executive Regulations of the Egyptian Capital Market Law No. 95/1992 regarding tender offers; and
 - any other rights guaranteed by the relevant Egyptian laws and the shareholders' agreement.

Subsequent events to Q1 2020

- ✓ In May, China Mobile International, Facebook, MTN Global Connect, Orange, STC, Telecom Egypt, Vodafone, and WIOCC announced that they will partner to build 2Africa, which will be the most comprehensive subsea cable to serve the African continent and Middle East region. The consortium and Airtel also signed an agreement with TE to provide a completely new crossing linking the Red Sea & Mediterranean.
- ✓ In June, Telecom Egypt and Etisalat Misr signed two first of its kind agreements relating to transmission and mobile-to-fixed interconnection. The first agreement extends for three and a half years with a total value of EGP 2bn, where Etisalat Misr for the first time signs a long-term agreement including an annual commitment. Additionally, the two companies have signed a mobile-to-fixed termination agreement representing the first commercial arrangement on mobile-to-fixed between Telecom Egypt and Etisalat Misr and the second for Telecom Egypt in the Egyptian market.

Customer Base

(000's)	1Q 20	1Q 19	Δ %yoy	4Q 19	Δ % qoq
Fixed Line					
Voice	9,523	8,093	18%	8,760	9%
Data	5,925	5,535	7%	5,807	2%
Mobile	6,181	4,247	46%	5,129	21%

Revenue breakdown

EGPm	1Q 20	1Q 19	Δ %yoy	4Q 19	Δ % qoq
Home & Consumer	3,131	2,401	30%	2,817	11%
Enterprise	786	750	5%	1,249	-37%
Domestic Wholesale	1,248	1,309	-5%	894	40%
International Carriers	1,136	1,128	1%	1,002	13%
International Customers & Networks	703	498	41%	830	-15%

Income statement summary

EGPm	1Q 20	1Q 19	Δ %yoy	4Q 19	Δ % qoq
Revenue	7,004	6,087	15%	6,793	3%
EBITDA	2,283	1,903	20%	2,133	7%
EBIT	1,659	1,863	-11%	1,639	1%
NPAT	1,312	1,615	-19%	1,179	11%
EPS	0.77	0.95	-19%	0.57	35%
Margins					
EBITDA Margin %	32.6%	31.3%	134 bps	31.4%	119 bps
EBIT Margin %	23.7%	30.6%	(692 bps)	24.1%	(45 bps)
NPAT Margin %	18.7%	26.5%	(781 bps)	17.4%	138 bps

Results discussion

Q1 2020:

- **Top line** grew 15% YoY on higher retail revenue (+24%), which made up 84% of total YoY growth.
- **Home & Consumer** recorded a 30% YoY increase mainly driven by strong data performance. This was followed by increased voice revenue as the “WE Ardy” subscription fee (EGP 20/ month) was applied to subscribers starting January 2020.
- **Wholesale services** increased 5% YoY on the recognition of EGP 270mn in **IC&N** revenue from a new crossing agreement with google. This offset a 4% YoY decline in infrastructure and transmission revenue due to a one-off IRU sale in Q1 2019. Without which, domestic revenue would have increased 19% organically.
- **ICA** came in flat YoY, in spite of the appreciation of the EGP vs USD, thanks to increased international incoming traffic.
- **EBITDA** stood at EGP 2.3bn, growing 20% YoY with a margin of 33% (+134bps YoY) as a result of the higher margin revenue mix of data and cable projects.
- **NPAT** came in at EGP 1.3bn, declining 19% YoY due to a 28% YoY decline in investment income from Vodafone resulting from one-off costs and provisions, which offset the strong operational growth and the FX gains.

Balance sheet summary

<i>EGPm</i>	1Q 20	FY 19	Δ %
Current Assets	15,953	15,125	5%
Net Fixed Assets	31,481	29,728	6%
Long Term Investments	11,379	10,898	4%
Other Long Terms Assets	15,276	17,222	-11%
Total Assets	74,090	72,973	2%
Current Liabilities (Excl. STD)	14,602	14,571	0%
CPLTD	12,662	11,666	9%
LTD	4,330	4,786	-10%
Other Non-Current Liabilities	7,254	6,729	8%
Total Liabilities	38,848	37,752	3%
Total Shareholder Equity	35,242	35,221	0%
Total Liabilities & Shareholder Equity	74,090	72,973	2%

Cash flow summary

<i>EGPm</i>	1Q 20	1Q 19	Δ %
Net Cash Provided By Operating Activities	1,897	1,977	-4%
Net Cash Flows from Investing Activities	-2,588	2,507	-203%
Net Cash Flows from Financing Activities	663	-4,170	116%
Net Change In Cash & Cash Equivalents	-28	314	-109%
Translation Differences of Foreign entities	-9	-8	-15%
Beginning of period cash	1,311	1,082	21%
End of period cash	1,274	1,387	-8%

– 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