

## Q2 2022 Earnings Release

Cairo, Egypt

August 11, 2022

Telecom Egypt has today published its audited consolidated financial statements for the period ending June 30, 2022.

### H1 2022 key highlights

- **Consolidated revenue** landed at EGP 20.4bn, up 17% YoY, mainly attributed to an 18% spike in retail revenue and 16% increase in wholesale revenue due to higher data, infrastructure, and capacity sales.
- **Customer base** grew YoY on all fronts, with fixed voice and data subscribers increasing by 10% and 13%, respectively. Mobile customers increased by 44%, which included 3.6mn additional subscribers comprising 2.1mn related to the schools project and social solidarity initiatives.
- **EBITDA** amounted to EGP 8.1bn, recording a strong 40% margin due to an improved revenue mix.
- **Net profit** came in at EGP 3.8bn; excluding non-operational items, it reached EGP 4.1bn, recording a 16% YoY growth, thanks to the robust operational performance, higher Vodafone investment income, and lower interest expense, which all together overshadowed the 27% increase in D&A costs.
- **Net operating cash flow** landed at EGP 8.3bn, representing 103% of H1 2022 EBITDA.
- **In-service capex/sales** recorded 14%, while **cash capex/sales** recorded 39% (31% excluding spectrum fees), landing at EGP 8bn.
- **Net debt to annualized EBITDA** reached 1.1x down from 1.2x in Q1 2022, with total debt down 6% QoQ.
- H1 2022 **FCFF** organically reached EGP 0.6bn (noting that FCFF would reach EGP 1.8bn after considering the dividends received from Vodafone Egypt in July 2022).

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

"I am pleased with our excellent interim results year-to-date despite the myriad of global challenges, which include devaluation, inflation, and supply chain pressures. We've clearly demonstrated our resilience, as revenue grew organically across all business units. H1 2022 top line grew 17% YoY on strong retail performance with data continuing to be the main driver, comprising 52% of total top line growth. Furthermore, we still managed to maintain healthy margins even though we brought-forward the 2023 salary increase to April 2022—as an incentive for our employees during these challenging times. Additionally, our optimum debt structure enabled us to absorb the adverse effect of the EGP's devaluation, resulting in a flat effective interest rate of 5.5%. Accordingly, our robust performance has filtered through to an organic FCFF of EGP 0.6bn, in addition to EGP 1.2bn dividends received from Vodafone Egypt in July 2022 under the modified Shareholder's Agreement.

We look forward to preserving the momentum witnessed on all fronts by monetizing our local & international infrastructure assets to capture the market potential while also rationalizing our incurred costs without compromising on the quality of services provided to end users. On that front, we are eager to leverage our newly-signed national roaming services agreement with Orange Egypt. This step that mirrors our constant efforts to develop our services portfolio while boosting the mobile business margin & the company's profitability at large.

As always, we will pursue value-accretive opportunities in the market to steer the company towards more success, ultimately maximizing the return to our shareholders.”

## Telecom Egypt Latest Events

### Main events in Q2 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.
- ✓ In early June, Telecom Egypt and Etisalat Misr signed six new commercial and strategic agreements with a total value of EGP 17bn, a step that comes within the framework of a joint cooperation between both parties to maximize their returns and support the development of new technologically advanced services to end users in the local market.
- ✓ Also in early June, Telecom Egypt received two awards in relation to the USD 500mn syndicated loan obtained in late 2021: The “best syndicated loan in North Africa” award, granted by EMEA Finance; and the “Structured Finance Deal of the Year” award, granted by GCF Media Group. The loan was arranged by FAB and Mashreq.
- ✓ In mid-June, Telecom Egypt and Aqua Comms, a leading provider of global subsea connectivity services, announced the signature of a crossing and landing agreement for the Europe Middle-East India Connect 1 (EMIC-1) subsea cable in Egypt.
- ✓ At the end of June, Telecom Egypt and Grid Telecom, a wholly owned subsidiary of the Independent Power Transmission Operator (IPTO) of Greece, signed Heads of Agreement to connect Greece and Egypt by extending a branch from a major subsea cable system.

### Subsequent events to Q2 2022

- ✓ In early 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)	Q2 22	Q2 21	Δ %YoY	Q1 22	Δ % QoQ
<b>Fixed Line</b>					
Voice	11,277	10,297	10%	11,175	1%
Data	8,435	7,475	13%	8,295	2%
<b>Mobile</b>	11,740	8,141	44%	10,162	16%

## Revenue breakdown

EGPmn	H1 22	H1 21	Δ %	Q2 22	Q2 21	Δ % YoY	Q1 22	Δ % QoQ
Home & Consumer	10,339	8,629	20%	5,338	4,438	20 %	5,001	7%
Enterprise	2,619	2,321	13%	1,432	1,193	20%	1,188	21%
Domestic Wholesale	3,090	2,696	15%	1,693	1,332	27%	1,397	21%
International Carriers	2,334	2,149	9%	1,300	1,099	18%	1,034	26%
International Customers & Networks	2,019	1,577	28%	1,222	912	34%	797	53%

## Income statement summary

EGPmn	H1 22	H1 21	Δ %	Q2 22	Q2 21	Δ % YoY	Q1 22	Δ % QoQ
Revenue	20,401	17,373	17%	10,984	8,974	22%	9,417	17%
EBITDA	8,060	6,729	20%	4,482	3,494	28%	3,578	25%
EBIT	5,896	5,780	2%	3,781	2,702	40%	2,114	79%
NPAT	3,782	3,872	-2%	2,415	1,747	38%	1,366	77%
EPS	2.22	2.27	-2%	1.41	1.02	38%	0.80	77%
<b>Margins</b>								
EBITDA Margin %	39.5%	38.7%	77 bps	40.8%	38.9%	187 bps	38.0%	281 bps
EBIT Margin %	28.9%	33.3%	(437 bps)	34.4%	30.1%	432 bps	22.5%	1,197 bps
NPAT Margin %	18.5%	22.3%	(375 bps)	22.0%	19.5%	252 bps	14.5%	748 bps

## Results discussion

### Q2 2022

- **Total revenue** increased by 22% YoY, driven by the upside in both retail and wholesale revenues of 20% and 26%, respectively.
- **Home & consumer and Enterprise** both grew by 20% YoY, backed by higher data and other enterprise revenues (22% & 32%, respectively) due to a growing customer base and healthy ARPU.
- **Mobile** grew 39% YoY on a higher customer base (+44% YoY), comprising a low double-digit of top line YoY growth.
- **Wholesale** increased by 26% YoY, owing to higher revenues across all business units: **Domestic** climbed 27%, thanks to higher IRU sales (+EGP 178mn YoY); **IC&N** increased 34% YoY due to higher cable projects and capacity sales; while **ICA** jumped 18% mainly on growing transit revenues.
- **EBITDA** landed at EGP 4.5bn, growing 28% YoY and recording a robust margin of 41%, exceeding management guidance.
- **Organic net profit** landed at EGP 2.4bn (+37% YoY), excluding non-operational items comprising impairments, provision reversal, and FX. The increase was mainly driven by the aforementioned operational performance and 19% YoY higher investment income.

### H1 2022

- **Total revenue** up 17% YoY, mainly attributed to the 18% and 16% spike in retail and wholesale revenue, respectively, due to higher data, infrastructure, and capacity sales.
- **Home & consumer** grew 20% YoY, contributing to 85% of retail growth on higher data and voice revenues of 22% and 13% YoY, respectively, backed by an overall expanding customer base and healthy ARPU.
- **Enterprise** increased 13% YoY mainly due to an increase in other enterprise revenues, driven by higher managed data revenues (+42% YoY).
- **Domestic** increased by 15% YoY due to an increased infrastructure revenue of 14% YoY, as a result of higher demand for data services from MNOs.
- **IC&N** climbed 28% YoY, thanks to monetizing our international assets represented in capacity sales and cable projects, both growing by 66% and 53%, respectively.
- **EBITDA** grew 20% YoY, recording a strong margin of 40%, mainly driven by high-margin data and infrastructure revenues.
- **Adjusted operating profit** grew 13% YoY, landing at EGP 4.6bn, despite a D&A hike (+27%). The adjusted figures excluded impairments and included the reversal of a EGP 170mn provision to settle a commercial dispute in Q2 2022 vs. the reversal of EGP 240mn tax provision in Q1 2021.
- Excluding non-operational items (tax law amendment resulting in EGP 377mn deferred tax related to investment income in Q1 2021, VF one-offs, FX, reversals in provisions, and impairments), **net profit** would have reached EGP 4.1bn, growing 16% YoY, owing to robust operational performance and higher organic investment income.

## Balance sheet summary

EGPmn	H1 22	FY 21	Δ %
Current Assets	19,385	17,025	14%
Net Fixed Assets	44,414	43,465	2%
Long Term Investments	10,609	11,011	-4%
Other Long Terms Assets	21,718	18,748	16%
<b>Total Assets</b>	<b>96,127</b>	<b>90,249</b>	<b>7%</b>
Current Liabilities (Excl. STD)	24,174	21,382	13%
CPLTD	6,220	5,333	17%
LTD	13,102	10,988	19%
Other Non-Current Liabilities	8,678	8,217	6%
<b>Total Liabilities</b>	<b>52,174</b>	<b>45,920</b>	<b>14%</b>
<b>Total Shareholder Equity</b>	<b>43,953</b>	<b>44,330</b>	<b>-1%</b>
<b>Total Liabilities &amp; Shareholder Equity</b>	<b>96,127</b>	<b>90,249</b>	<b>7%</b>

## Cash flow summary

EGPmn	H1 22	H1 21	Δ %
Net Cash Provided by Operating Activities	8,297	8,326	0%
Net Cash Used in Investing Activities	-8,012	-7,663	5%
Net Cash Used in Financing Activities	-913	-1,337	-32%
<b>Net Change in Cash &amp; Cash Equivalents</b>	<b>-627</b>	<b>-674</b>	<b>-7%</b>
Translation Differences of Foreign Entities	24	-3	908%
Beginning of Period Cash	2,923	1,937	51%
<b>End of Period Cash</b>	<b>2,320</b>	<b>1,260</b>	<b>84%</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)