

Q1 2019 Earnings Release

14 May 2019

Telecom Egypt today announces its Q1 2019 results ending 31 March 2019.

Q1 2019 key highlights

- **Consolidated revenue** came in at EGP 6.1bn, recording +27% YoY. Retail revenue contributed 57% to the total YoY growth backed by the rise in data services revenue.
- **Customer base** continued to rise on all fronts. On a YoY basis, fixed voice subscribers increased +11%, fixed broadband jumped 27% and mobile subscribers rose 45% reaching 4.2mn customers.
- **EBITDA** totalled EGP 1.9bn, climbing 26% YoY with a healthy margin of 31%.
- **Net Profit** doubled YoY, landing at EGP 1.6bn with a margin of 27%.
- **In-service CapEx intensity** reached 23% on continuing infrastructure expansion.
- **Net Debt** recorded EGP 8.1bn down from EGP 12.6bn in Q4 2018, representing 1.1x annualized EBITDA down from 2.1x in Q4 2018.

Adel Hamed, Group Chief Executive, commented:

“This quarter shows strong results and a robust preface to Telecom Egypt’s strategic objectives for 2019. Our retail revenue continues its notable growth driven by both fixed and mobile data, reflecting the growth of our customer base across our spectrum of services, which will soon expand to quad play. We aim to build upon our network capabilities and grow to become a fully-fledged ICT provider within 2019.

The quarter is also marked by the strong execution ability of this organization having completed two strategic national projects in record time, reflecting our key role as the facilitator of Egypt’s digital transformation initiative. After the success of the schools’ connectivity project in Q3 2018, Telecom Egypt, in March 2019, distributed 613k data SIMs to students in their first-year of secondary education in four days. We have also successfully connected more than 650 governmental buildings in Port Said with fibre, with more governorates to follow in the next phase.

On the wholesale front, this quarter’s performance shows the strong growth in wholesale revenue especially in light of the growing data consumption of MNO customers. I’m also very pleased with the PEACE cable system agreement signed in April that secures USD 45mn of revenue over the lifetime of the cable and will significantly contribute to IC&N revenue in the second quarter. Moreover, we signed a USD 20mn Lol with PEACE’s parent, HENGTONG, which will allow us to further monetize our international network, while simultaneously optimizing our Capex spending.”

Telecom Egypt Latest Events

Main events in Q1 2019

- ✓ In January, the government of Egypt, being TE's major shareholder with an ownership of 80%, announced changing some of its representatives in TE's Board of Directors by a decree from the Egyptian Prime Minister with immediate effect and for the remaining period of Board of Directors. The Board of Directors appointed Eng. Adel Hamed as the new Managing Director and Chief Executive Officer. The decision comes in line with the Egyptian government's plan to speed up the national digital transformation initiative, where Telecom Egypt has a strategic role in facilitating and accelerating such transformation for the country.
- ✓ In February, Telecom Egypt and Orange Data announced the signing of a new agreement on bitstream access services enabling Orange Data as the first operator to sign this agreement to provide its customers with higher speed internet services.
- ✓ In the same month, Telecom Egypt and Vodafone Egypt announced the signing of two ten-year transmission and infrastructure agreements with a total value of EGP 10.85bn. Additionally, Vodafone Egypt proposed a dividend of EGP12.2bn, of which Telecom Egypt's share is the equivalent of EGP 5.5bn. The dividends will be paid on two tranches, the first of which amounts to EGP 4.8bn and was paid in March 2019 with the remainder in June 2020.
- ✓ During MWC Barcelona 2019, Telecom Egypt signed MOUs with several technology providers including Huawei, Ericsson, Nokia and CISCO to assess and develop its network in the fields of 5G, artificial intelligence, IoT and cloud computing. Telecom Egypt also signed an agreement with Microsoft to extend Microsoft's cloud network to Egypt.
- ✓ In March, Telecom Egypt published an all-encompassing integrated annual report about its operations in 2018 and its strategic directions, resuming an important practice to come closer to its goal of providing timely, accurate and comprehensive disclosure.
- ✓ During the same month, Telecom Egypt announced that its Board of Directors approved to proceed with a voluntary early retirement program for its employees. The program is one of the largest cost saving initiatives proposed by the management targeting 2000 employees in 2019. The program is yet to be launched.
- ✓ By the end of March, Telecom Egypt's Ordinary General Assembly (GA) appointed its board of directors for a new term of three years. The GA renewed its confidence in the seven representative members of the government from the previous term for a new term and approved the change of two independent board members.

- ✓ In April, Telecom Egypt signed a landing party agreement with Pakistan & East Africa Connecting Europe (PEACE) Cable International Network Co. and PCCW Global. The total value of the agreement amounts to USD 45mn over the lifetime of the cable.
- ✓ Telecom Egypt signed a binding letter of intent (LoI) with PEACE and its parent HENGTONG OPTIC-ELECTRIC. Under the LoI, PEACE will be granted an additional fibre pair to its redundant cross Egypt routes with a total value of USD 20mn, and in return HENGTONG shall provide TE with fibre optic cables based on competitive pricing that will be utilized in TE's strategic plans for fibre deployment inside Egypt.

Customer base

(000's)	1Q 19	1Q 18	Δ % YoY	4Q 18	Δ % QoQ
Fixed Line					
Voice	8,093	7,265	11%	7,865	3%
Data	5,535	4,366	27%	5,237	6%
Mobile	4,247	2,930	45%	3,861	10%

Revenue breakdown

EGPmn	1Q 19	1Q 18	Δ % YoY	4Q 18	Δ % QoQ
Home & Consumer	2,401	1,829	31%	2,215	8%
Enterprise	750	583	29%	852	-12%
Domestic Wholesale	1,309	880	49%	818	60%
International Carriers	1,128	1,096	3%	1,077	5%
International Customers & Networks	498	393	27%	450	11%

Income statement summary

EGPmn	1Q 19	1Q 18	Δ % YoY	4Q 18	Δ % QoQ
Revenue	6,087	4,782	27%	5,413	12%
EBITDA	1,903	1,506	26%	802	137%
EBIT	1,863	1,245	50%	647	188%
NPAT	1,615	774	109%	-22	7472%
EPS	0.95	0.45	109%	-0.12	888%
Margins					
EBITDA Margin %	31.3%	31.5%	(24 bps)	14.8%	1,645 bps
EBIT Margin %	30.6%	26.0%	457 bps	11.9%	1,866 bps
NPAT Margin %	26.5%	16.2%	1,036 bps	-0.4%	2,694 bps

Q1 2019:

- **Total revenue** increased by 27% YoY mainly driven by the growth in both the home and domestic lines of business.
- The significant spike in **home** revenue (+31% YoY) represents 77% of total **retail revenue** growth.
- **Mobile** continued to grow, contributing an unprecedented low double digit to total retail revenue.
- **Enterprise solutions** recorded +29% YoY mainly driven by connectivity projects (EGP 180mn) related to NUCA and Port Said digital initiative, the latter representing the first phase of a 2-year nation-wide protocol connecting governorates.
- **Wholesale** grew 24% YoY mainly attributable to the 49% rise in **Domestic wholesale** revenue on higher IRU sales. Excluding the IRU sales, domestic would have grown 20% YoY on increased data consumption in the Egyptian market.
- **ICA** witnessed a slight increase of 3% as growth in the incoming international calls compensated for the decline in lower margin transit revenue.
- **EBITDA** margin came in at 31% whereas higher margin revenues balanced the increase in employee costs (incl. one-off employee bonus of EGP 175mn). Normalising the IRU sales and employees' bonus would result in an EBITDA margin of 29%.
- **Net profit** reported EGP 1.6bn, +109%YoY, as a result of the revaluation of USD facilities following the appreciation of EGP vs USD, healthy EBITDA growth and the rebounding of Vodafone's investment income to its normal levels compared to Q1 2018. Normalized net profit for IRU sales, employees' bonus and forex gains stood at EGP 1.1bn.

Balance sheet summary

EGPm	1Q 19	FY 18	Δ %
Current Assets	12,559	12,344	2%
Net Fixed Assets	22,941	21,534	7%
Long Term Investments	9,325	13,532	-31%
Other Long Terms Assets	15,696	16,497	-5%
Total Assets	60,521	63,907	-5%
Current Liabilities (Excl. STD)	12,088	12,280	-2%
CPLTD	9,116	13,304	-31%
LTD	540	550	-2%
Other Non-Current Liabilities	5,894	5,285	12%
Total Liabilities	27,637	31,419	-12%
Total Shareholder Equity	32,883	32,488	1%
Total Liabilities & Shareholder Equity	60,521	63,907	-5%

Cash flow summary

EGPm	1Q 19	1Q 18	Δ %
Net Cash Provided By Operating Activities	1,977	1,280	54%
Net Cash Flows from Investing Activities	2,507	-1,163	316%
Net Cash Flows from Financing Activities	-4,170	465	-998%
Net Change In Cash & Cash Equivalents	314	582	-46%
Translation Differences of Foreign entities	-8	-4	118%
Beginning of period cash	1,082	637	70%
End of period cash	1,387	1,216	14%

– 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

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