

Results presentation telecomegypt Q2 2023



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H1 2023 results highlights

Robust operational results all-around



Revenue

(EGP bn)

28.1bn

38% YoY

Customers

(mn)

	Voice	Data
Fixed	11.8 +5% YoY	9.1 +8% YoY
Mobile	12.6 +7% YoY	

H1 2023: Upward trend continues with strong margins

- ✓ Total revenue landed at EGP 28.1bn, increasing 38% YoY, mainly due to the EGP 5.5bn increment in wholesale on notable cable sales (+ EGP 1.5bn), higher IDD and infrastructure revenues. The retail increment of EGP 2.2bn was mainly driven by 18% higher data YoY.
- ✓ Customer base increased across the board.
- ✓ EBITDA reached EGP 12bn, surging by 48% YoY and recording a high margin of 43% on enhanced revenue mix.
- ✓ Adjusted operating profit reached EGP 7.5bn, up 54% on strong operational performance, overshadowing the 38% YoY higher D&A costs.
- ✓ Normalized net profit reached EGP 7.0bn, marking a profound 67% increase YoY, thanks to excellent operational results and higher investment income, which negated the surge in interest expense.
- ✓ FCFF reached EGP (1.7bn) despite higher investment outlays reporting a CapEx intensity of 50% during H1 2023 in light of due vendor payments. Following VFE dividend declaration in Q2, TE collected EGP 2.1bn during July, turning FCFF into EGP 0.5bn.
- ✓ Net debt/EBITDA on an annualized basis came flat at 1.4x vs. FY 2022 despite the 43% upside in gross debt due to foreign currency exposure revaluation.

EBITDA

(EGP bn)

12.0bn

48% YoY

Net profit

(EGP bn)

6.7bn

77% YoY
*Adjusted 67% YoY

EBITDA margin of 43%, +300 bps YoY

Net profit margin of 24%, +526 bps YoY

*Adjusted for the impact of non-operational items including provisions, FX, and Vodafone one-offs

Q2 2023 results highlights

Another quarter of strong top-line results



Revenue

(EGP bn)

14.2bn

+29% YoY / +2% QoQ

Customers

(mn)

	Voice	Data
Fixed	11.8 +5% YoY	9.1 +8% YoY
Mobile	12.6 +7% YoY	

Q2 2023: Data showing no signs of backing down

- ✓ **Top-line** increased 29% YoY on higher cable revenues, mainly driven by extra monetization on our cables by almost USD 40mn, followed by strong data performance thanks to healthy operational KPIs, and higher ICA revenues due to higher inbound traffic and USD appreciation.
- ✓ **Customer base** signaled a slight increase QoQ on all fronts.
- ✓ **EBITDA** realized a strong margin of 41%, exceeding management's guidance, due to high margin revenues, particularly cables and data-related revenues.
- ✓ **Operating profit** managed to increase 8% YoY despite the 46% YoY increase in D&A.
- ✓ Reported **Vodafone investment income** amounted to EGP 1.1bn, an impressive 47% upside YoY.
- ✓ Adjusted for forex and provisions, **net profit** reached EGP 3bn, increasing 25% YoY backed by strong operational performance & higher investment income, which managed to offset the increase in D&A and interest expenses.

EBITDA

(EGP bn)

5.8bn

30% YoY / -5% QoQ

Net profit

(EGP bn)

2.9bn

19% YoY / -24% QoQ
*Adjusted 25% YoY

EBITDA margin of 41%, +24 bps YoY, -295 bps QoQ

Net profit margin of 20%, -166 bps YoY, -699 bps QoQ

*Adjusted for the impact of non-operational items including provisions, FX and Vodafone one-offs

Consensus estimates (Q2 2023)

	Revenue	EBITDA	EBITDA margin	Net profit
In EGP millions				
Analyst 1	13,448	5,418	40.3%	2,655
Analyst 2	13,390	5,577	41.7%	2,844
Analyst 3	14,006	6,093	43.5%	3,063
Analyst 4	12,211	4,640	38.0%	2,172
Analyst 5	12,900	5,131	39.8%	2,501
Analyst 6	14,110	6,087	43.1%	2,866
Analyst 7	12,787	5,208	40.7%	2,289
Average of estimates	13,265	5,451	41.0%	2,627
Median	13,390	5,418	40.7%	2,655
High	14,110	6,093	43.5%	3,063
Low	12,211	4,640	38.0%	2,172
Telecom Egypt results	14,177	5,820	41.0%	2,882
Variance	6.9%	6.8%	4bps	9.7%

Highlights of the main events in H1 2023



31 Jan: Telecom Egypt announced that the National Telecom Regulatory Authority (NTRA) has accepted its financial and technical offer to obtain an additional 5MHz of spectrum in the 1800MHz band using FDD technology.

[Read More](#)



23 Mar: Telecom Egypt announced that Eng. Mohamed Nasr Eldin Mohamed Ali has been appointed as Managing Director and CEO of the company to succeed Eng. Adel Hamed Ibrahim Gadallah.

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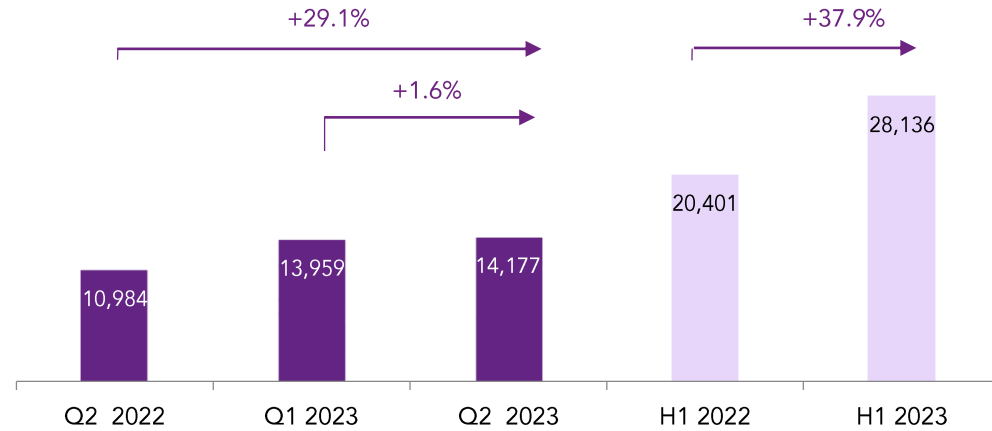
10 May: Within its continuous efforts to enhance its value proposition, Telecom Egypt announced the successful landing of the 2Africa subsea cable in Port Said. This milestone marked the second and final 2Africa landing in Egypt, coming five months after the first landing in the Red Sea city of Ras Ghareb.

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Financial highlights

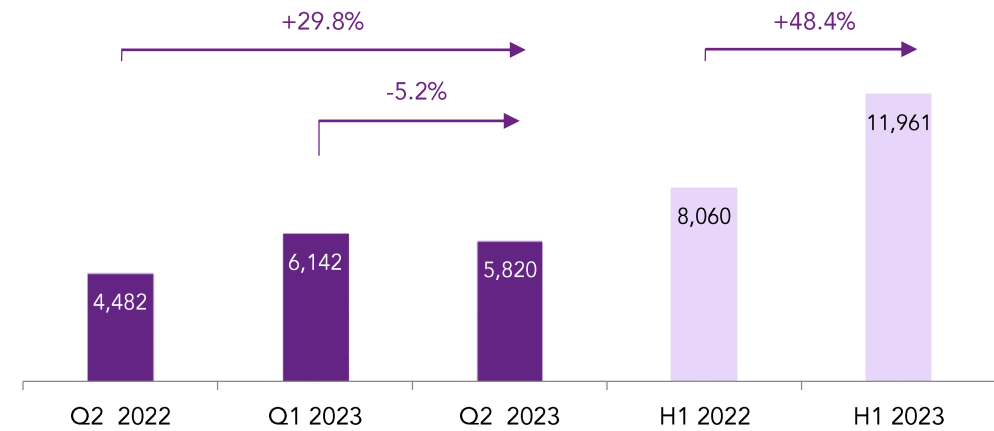
Revenue

(EGP mn)



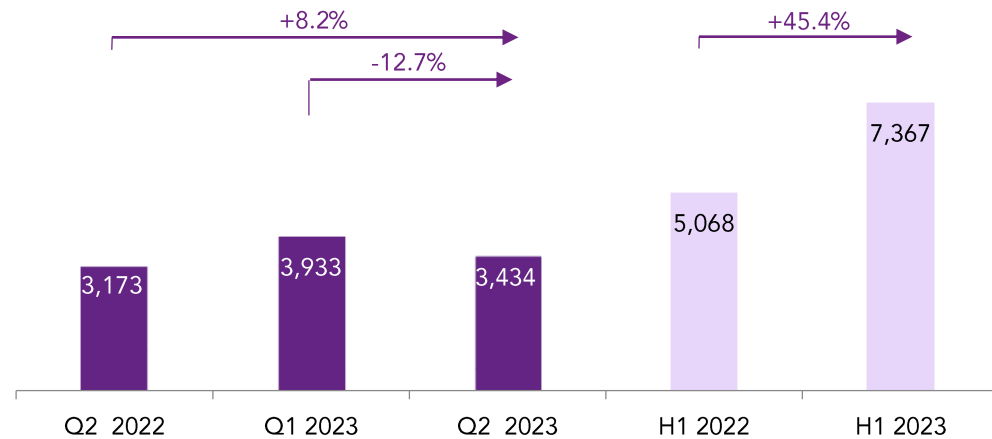
EBITDA

(EGP mn)



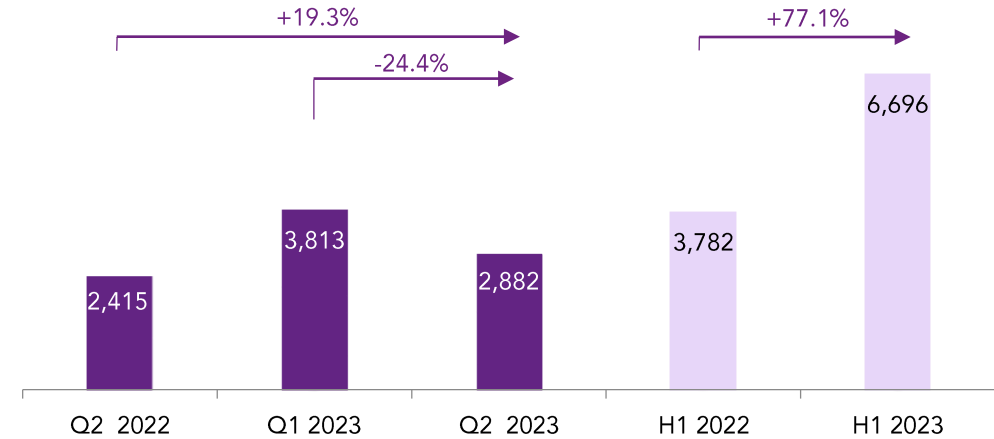
Operating profit

(EGP mn)



Net profit

(EGP mn)

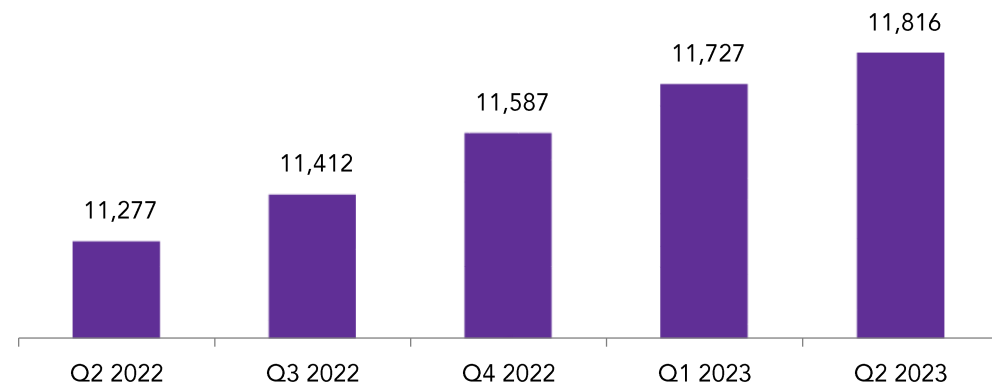


Customer base and ARPU



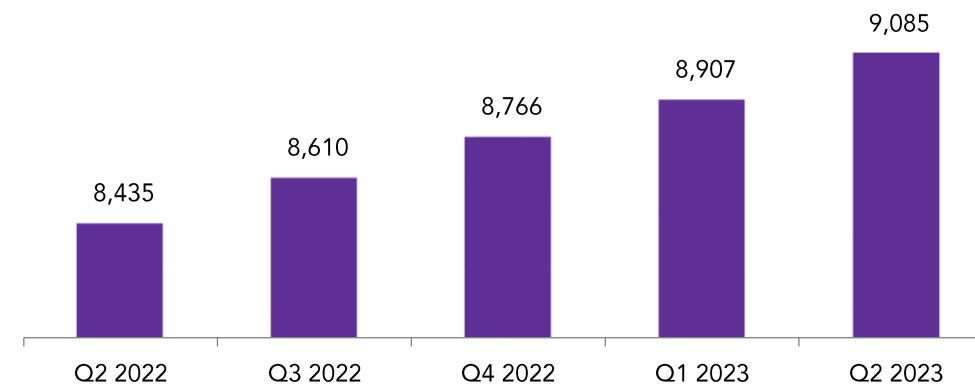
Fixed line

(In 000s)



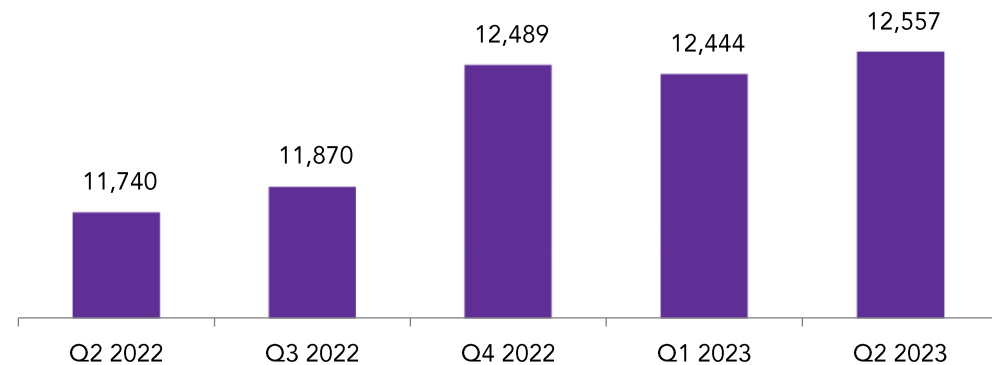
Fixed broadband

(In 000s)



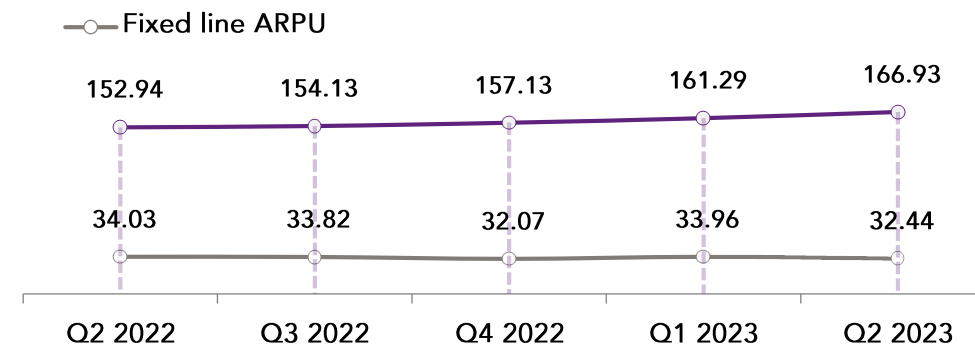
Mobile

(In 000s)



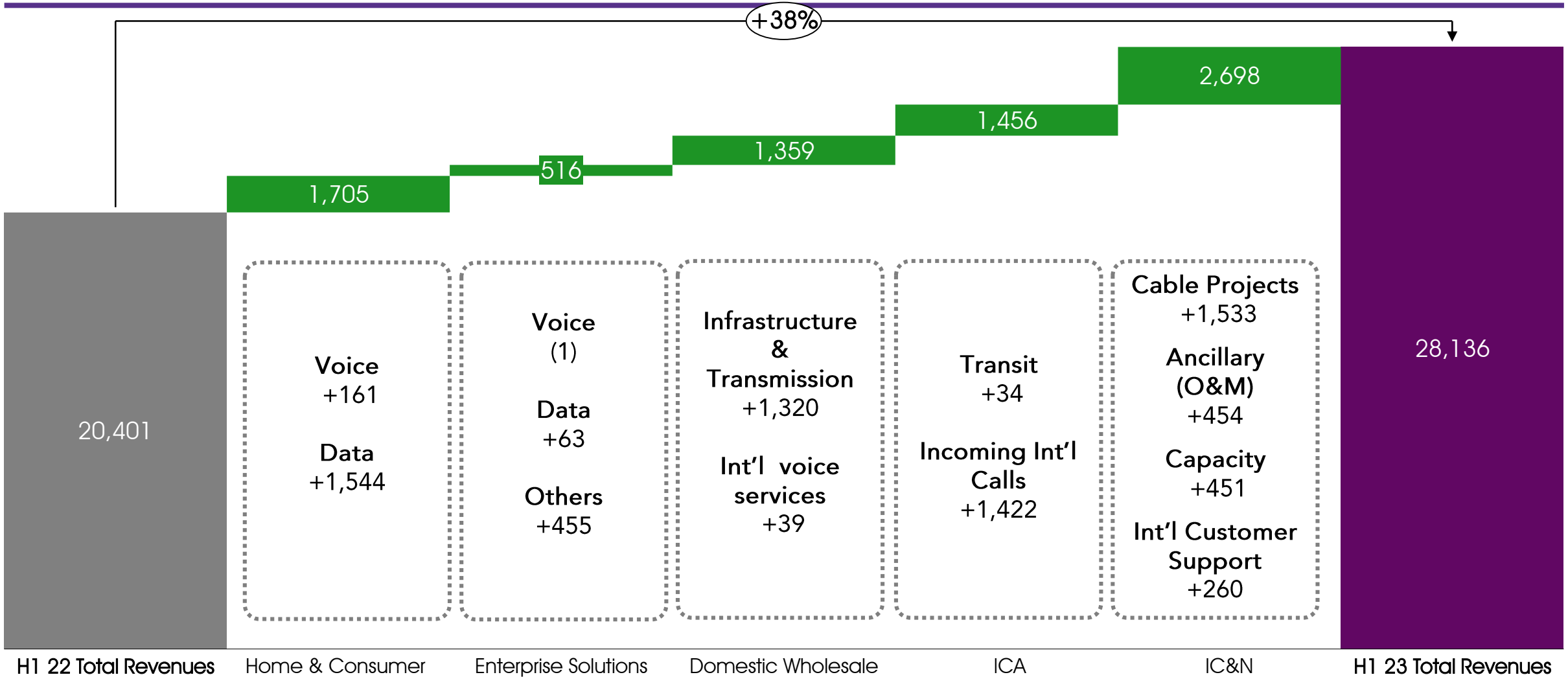
ARPU

(In EGP)



Total revenues

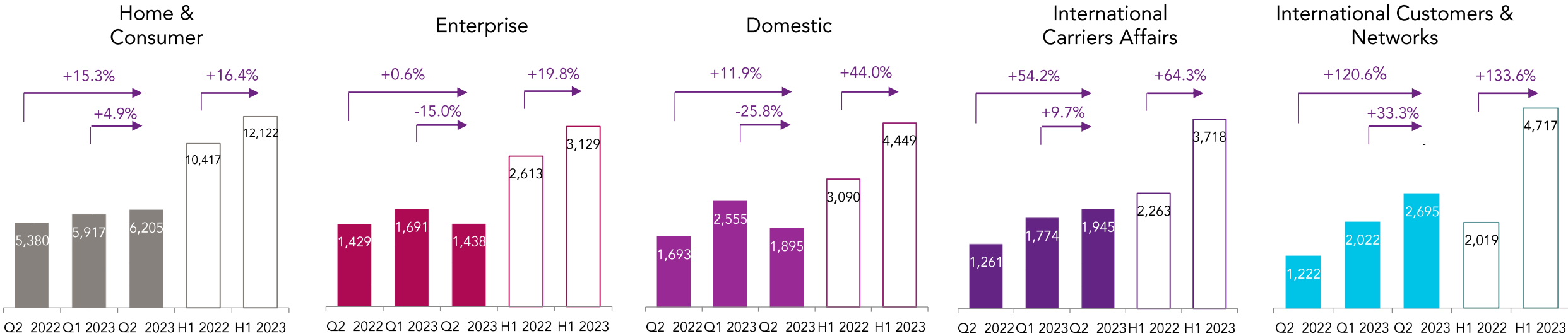
H1 2023 YoY



Note: All financial figures are in EGP million

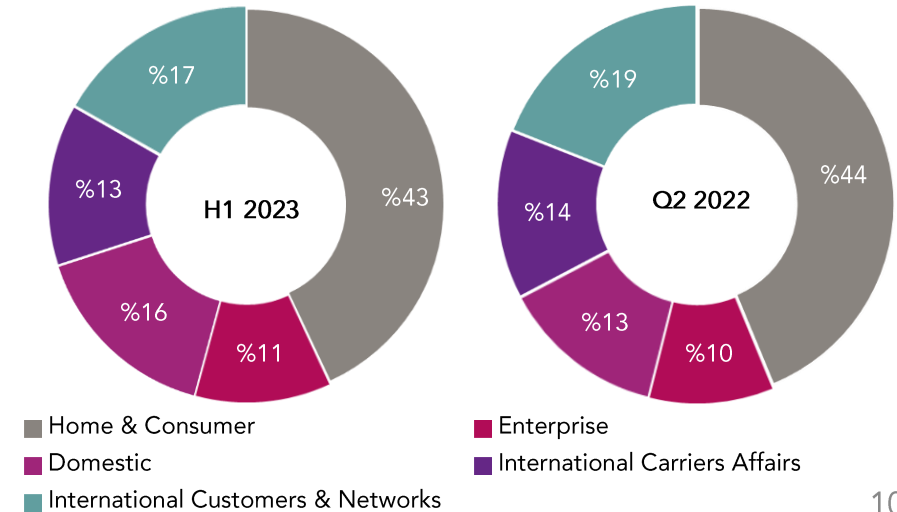
Revenue by business unit

Preserving the growing pace across all business units



H1 2023 performance

- ✓ Total revenue grew 38% YoY due to an astonishing 75% YoY hike in wholesale revenue, constituting 71% of top line growth, followed by strong retail performance.
- ✓ Home & consumer realized a 16% YoY increase, constituting 77% of the retail growth on higher data and voice revenues of 18% and 8% YoY, respectively, boosted by the overall expanding customer base and healthy ARPUs.
- ✓ Enterprise escalated 20% YoY, mainly as a result of higher managed data revenues increasing 23% YoY.
- ✓ Mobile saw an 18% increase YoY, making up a low double-digit of total retail revenue growth YoY.
- ✓ Domestic surged by 44% YoY due to a 45% YoY hike in infrastructure revenue, related to further demand for MNOs data services.
- ✓ ICA up 64% YoY as a result of higher incoming international calls and USD appreciation.
- ✓ IC&N marked an increase of almost 1.5x YoY, mainly due to more than 3-fold increase in cable projects and growing capacity sales (180%).



Income statement (H1 2023)

In EGP mn	H1 2023	H1 2022	YoY	Q2 2023	Q1 2023	Q2 2022	QoQ	YoY
Revenue	28,136	20,401	38%	14,177	13,959	10,984	2%	29%
Home	12,122	10,417	16%	6,205	5,917	5,380	5%	15%
Enterprise	3,129	2,613	20%	1,438	1,691	1,429	-15%	1%
Domestic	4,449	3,090	44%	1,895	2,555	1,693	-26%	12%
ICA	3,718	2,263	64%	1,945	1,774	1,261	10%	54%
IC&N	4,717	2,019	134%	2,695	2,022	1,222	33%	121%
Employee cost	(5,252)	(4,048)	30%	(2,746)	(2,506)	(2,089)	10%	31%
Call costs	(4,129)	(3,187)	30%	(2,189)	(1,940)	(1,659)	13%	32%
CoGS*	(5,140)	(3,783)	36%	(2,505)	(2,635)	(2,051)	-5%	22%
S&D*	(1,054)	(893)	18%	(598)	(456)	(469)	31%	28%
G&A*	(599)	(431)	39%	(318)	(281)	(233)	13%	36%
EBITDA	11,961	8,060	48%	5,820	6,142	4,482	-5%	30%
<i>Margin</i>	43%	40%	300 bps	41%	44%	41%	(295 bps)	24 bps
Other (expense) / income	43	242	-82%	73	(30)	211	346%	-65%
Depreciation	(3,508)	(2,558)	37%	(1,864)	(1,644)	(1,272)	13%	47%
Amortization	(1,027)	(720)	43%	(518)	(509)	(362)	2%	43%
(Pro)\ Reversal of ECL provision	(101)	43	335%	(77)	(25)	113	209%	-168%
Operating profit	7,367	5,068	45%	3,434	3,933	3,173	-13%	8%
<i>Margin</i>	26%	25%	134 bps	24%	28%	29%	(396 bps)	(466 bps)
Income from investments	1,964	1,044	88%	1,070	894	727	20%	47%
Net finance (cost) / income	(634)	(622)	2%	(257)	(376)	(436)	-32%	-41%
Net interest (exp.) / income	(1,526)	(401)	280%	(874)	(652)	(247)	34%	253%
Tax	(473)	(1,306)	-64%	(487)	15	(801)	-3391%	-39%
Net Profit	6,696	3,782	77%	2,882	3,813	2,415	-24%	19%
<i>Margin</i>	24%	19%	526 bps	20%	27%	22%	(699 bps)	(166 bps)
Net Profit (Adj.) **	6,987	4,186	67%	2,978	4,009	2,387	-26%	25%
<i>Margin</i>	25%	21%	431 bps	21%	29%	22%	(772 bps)	(72 bps)
EPS	3.92	2.22	77%	1.69	2.23	1.41	-24%	19%

* COGS exclude employee & call costs. S&D and G&A exclude employee costs & D&A

** Adjusted for VF one-offs, FX, reversals in provisions, and impairments

Note: All financial figures reported are based on the consolidated financials under the Egyptian Accounting Standards

Revenue

- Top-line spike was fueled by higher revenues across all business units, with a considerable wholesale share, representing 71% of the growth. This wholesale increase is mainly due to higher USD denominated revenues recognized in total by international business units (ICA-IC&N), followed by higher infrastructure revenues to cater for increasing demand for data services by MNOs and ISPs - adding to the former USD appreciation.

Expenses

- Salaries grew 30% YoY on the back of two salary-adjustment rounds; however, as a % of top-line, the ratio declined by 117bps landing at 18.7% (vs 19.8% at H1 2022).
- Call costs as a % of top-line came in at 14.7%, progressing 95bps YoY thanks to the recently signed national roaming agreement & optimized revenue mix.

EBITDA

- EBITDA up 48% YoY, recording a strong margin of 43% on higher margin revenues, namely cables and data-related revenues.

Other-OPEX

- D&A rose 38% YoY, reflecting the infrastructure rollout plan, new spectrum amortization, and FX effect under the new accounting treatment.
- Strong performance filtered through to higher operating profit landing at EGP 7.4bn (+45% YoY). Adjusted for provision one-offs & impairment reversals, operating profit recorded EGP 7.5bn, growing 54% YoY despite the higher D&A costs.

Non-operational

- Investment income almost doubled YoY due to strong operational performance. Meanwhile, organic investment income reflected a growth of 49% YoY, adjusted for the H1 2022 FX loss impact.
- The interest expense surge was mainly driven by foreign currency appreciation, constituting 75% of TE's total exposure. Net debt/EBITDA on an annualized basis came almost flat in H1 2023 at 1.4x vs. FY 2022, despite the 43% increase in gross debt, mainly due to the revaluation of facilities.

Net profit

- Adjusted for non-operational items (provisions, and impairments reversals, VF one-offs and FX), net profit would have reached 7.0bn, growing 67% YoY on strong operational performance and higher investment income, overshadowing the higher interest expense and D&A costs.

Income statement (Q2 2023)

<i>In EGP mn</i>	H1 2023	H1 2022	YoY	Q2 2023	Q1 2023	Q2 2022	QoQ	YoY
Revenue	28,136	20,401	38%	14,177	13,959	10,984	2%	29%
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Revenue

- Wholesale growth constituted 74% of top-line growth, mainly due to higher cable revenues from further monetization of cable projects by c.USD 40mn. Home revenue came next in line, supported by growing data revenues (17% YoY).
- ICA grew 54% YoY driven by higher traffic and USD appreciation.

Expenses

- Salaries grew 31% YoY and 10% QoQ, while cost as a % of top-line reached 19%, flat YoY.
- Advertising expenses rose 70% on both QoQ & YoY levels, however H1 2023 expenses as % of top-line came flat YoY at 2.1%.

EBITDA

- EBITDA increased 30% YoY, marking a 41% margin and exceeding management's guidance of mid-to-high 30s.

Other OPEX

- D&A jumped 46% YoY in line with the increased CapEx.
- Operating profit slightly increased by 8% YoY despite higher D&A costs. Adjusted for provision & impairment reversals, it grew 21% YoY, reaching EGP 3.5bn.

Non-operational

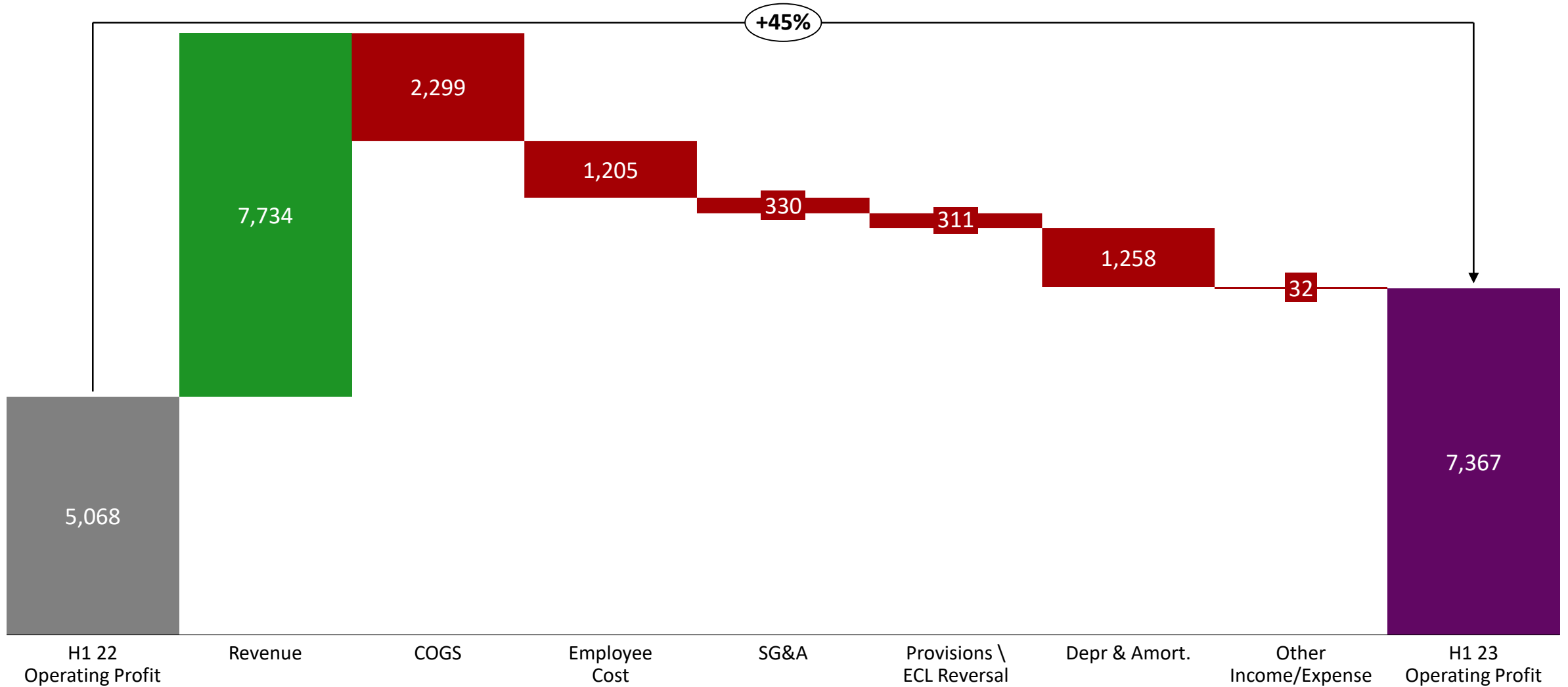
- Investment income grew 47% organically, owing to strong operational performance.
- The decrease in net finance cost is mostly attributable to the FX loss in Q2 2023, which was only EGP 2mn, as opposed to the Q2 2022 FX loss, which was EGP 254mn due to not applying the FX accounting treatment.

Net profit

- Excluding FX, impairments and reversals for provisions, net profit grew 25% YoY on healthy revenue mix and higher investment income.

Operating profit

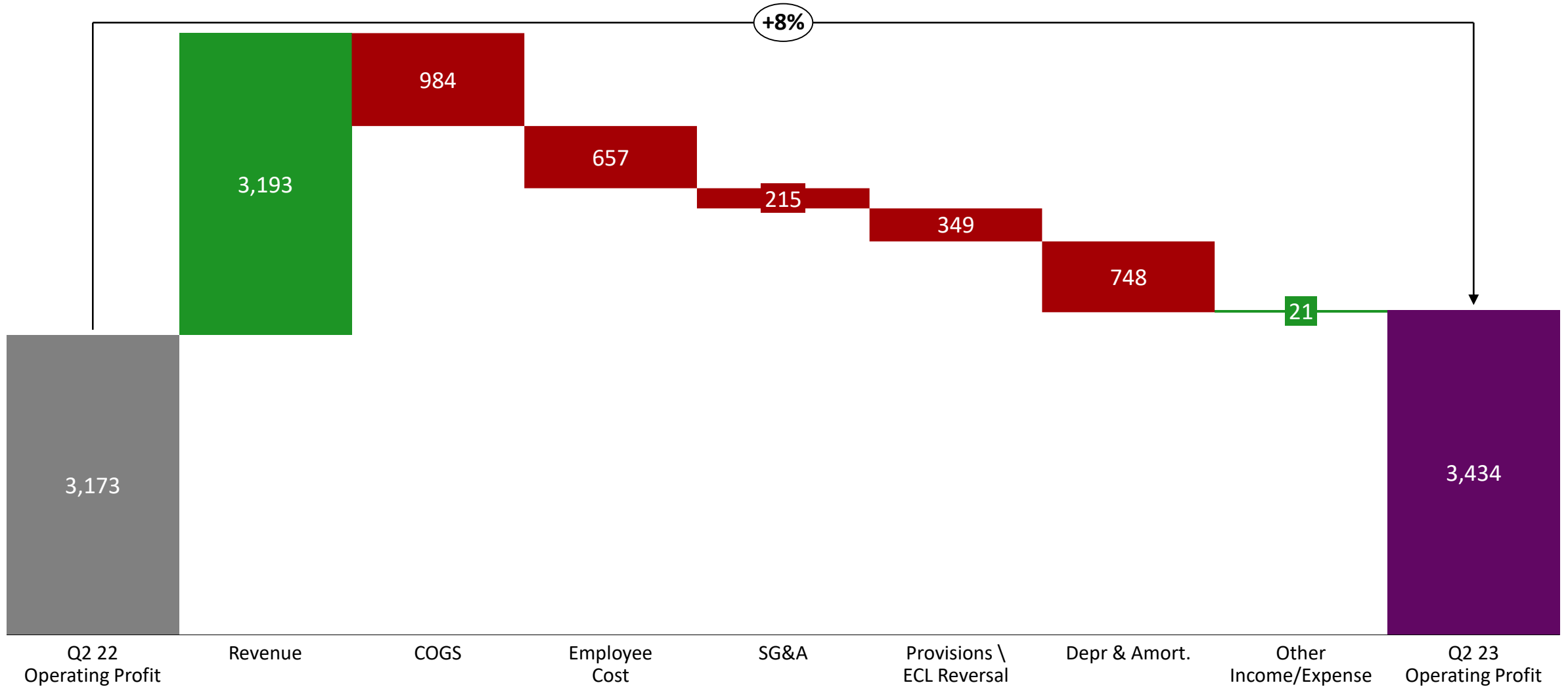
H1 2023 (YoY)



Note: All financial figures are in EGP million

Operating profit

Q2 2023 (YoY)

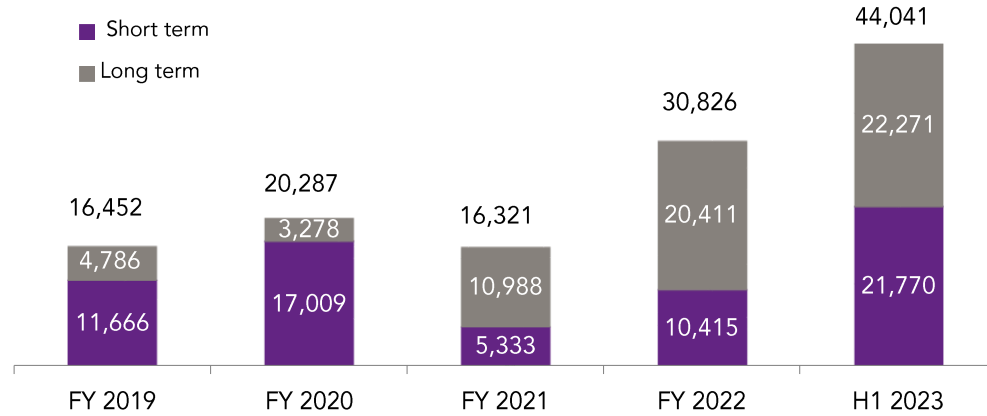


Note: All financial figures are in EGP million

Balance sheet highlights

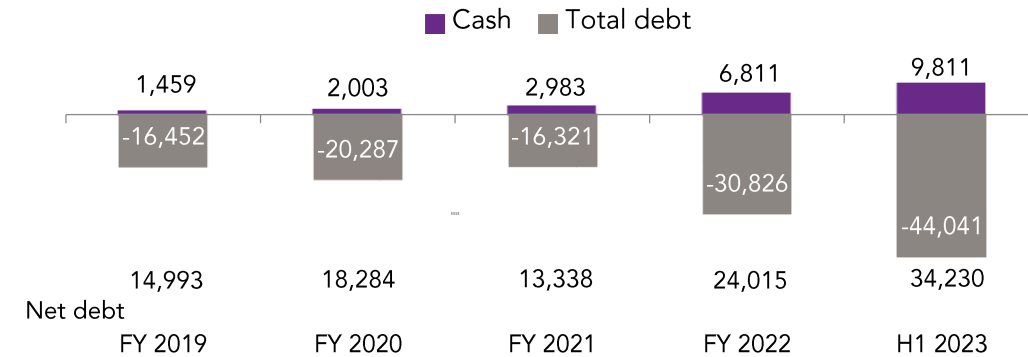
Total debt

(EGP mn)



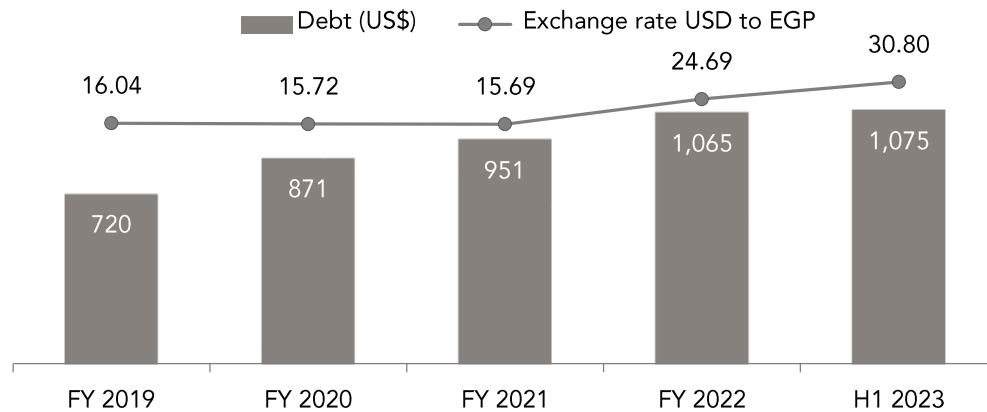
Net debt

(EGP mn)



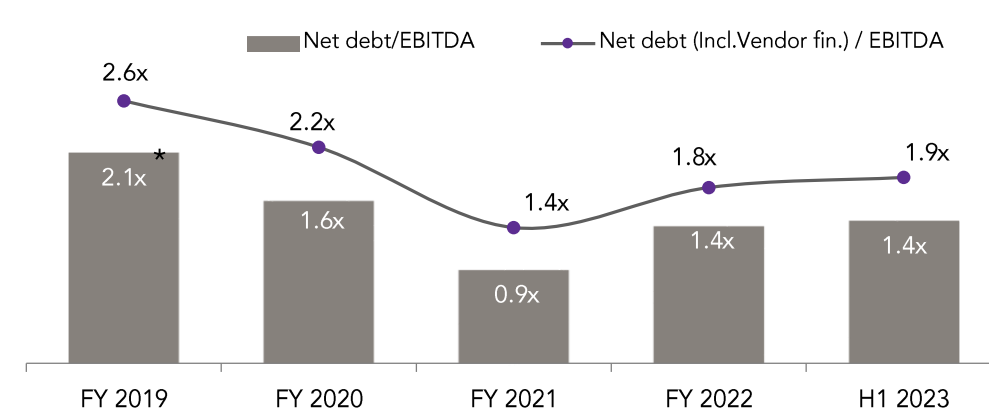
Debt – Hard currency portion

(EGP mn)



Net debt/ EBITDA

(Based on annualized EBITDA)

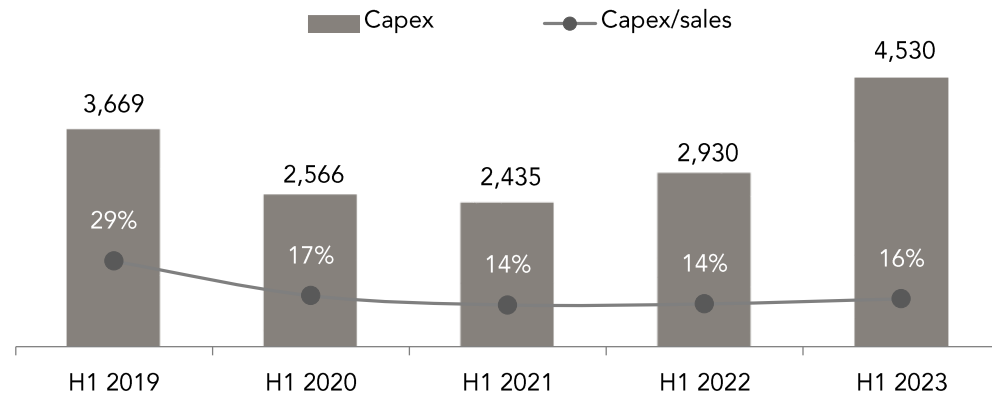


* Adjusted for the ERP total cost of EGP 1.3bn

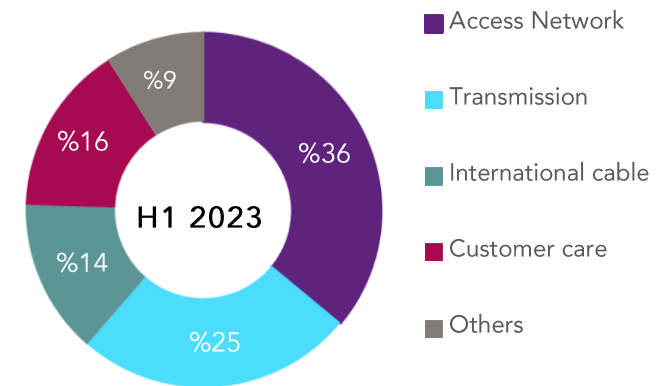
CapEx analysis

In-service CapEx

(EGP mn)

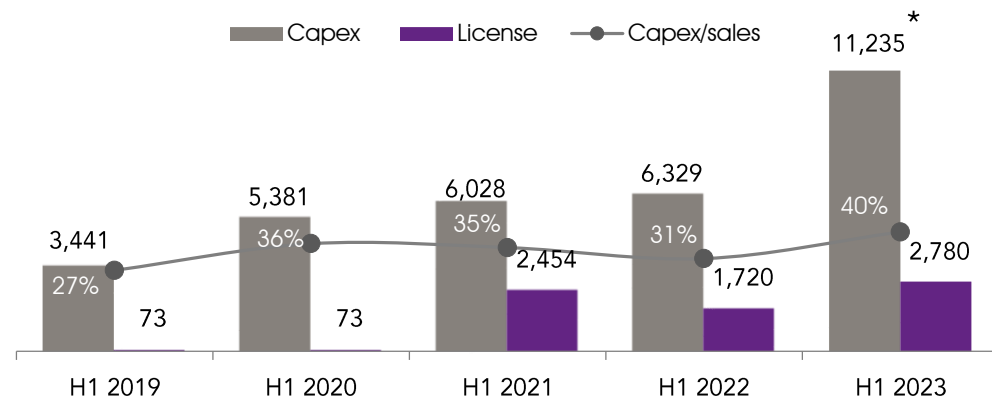


Breakdown of in-service CapEx



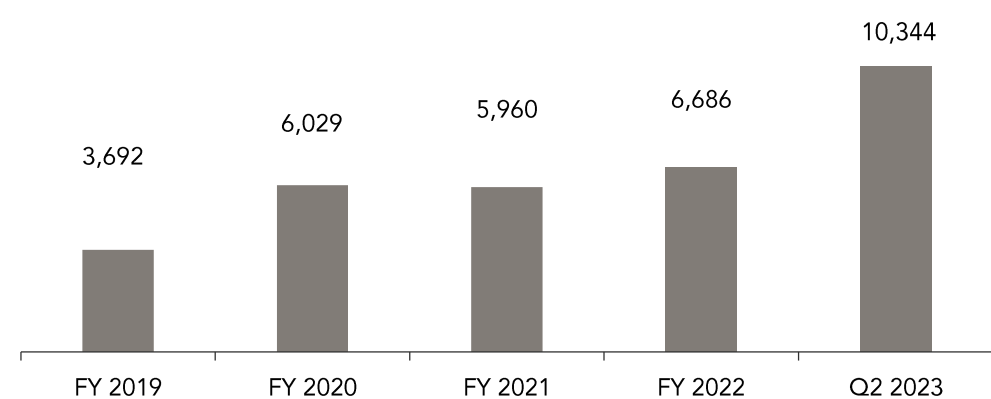
Cash CapEx

(EGP mn)



* Vendor financing obligations

(EGP mn)



* High CapEx figures are due to upfront payments and due vendor financing obligations

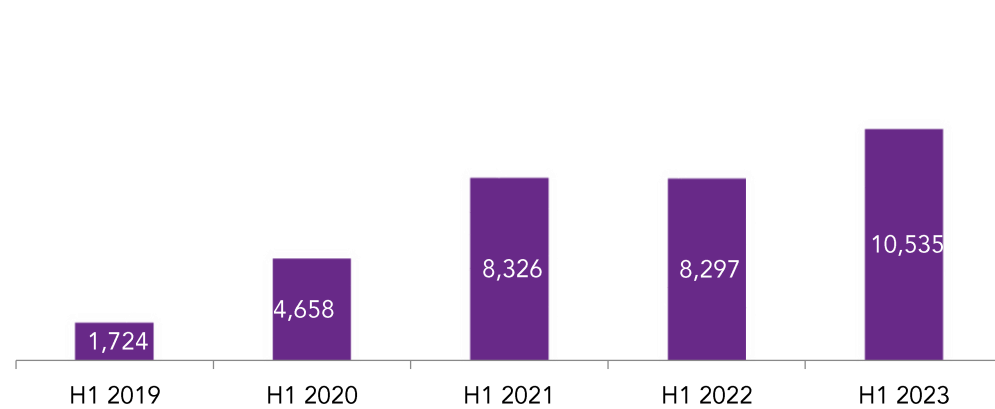
* Based on USD and EURO exchange rates as of 30 June 2023

Note: All financial figures reported are based on consolidated financials under the Egyptian Accounting Standards

Cash flow analysis

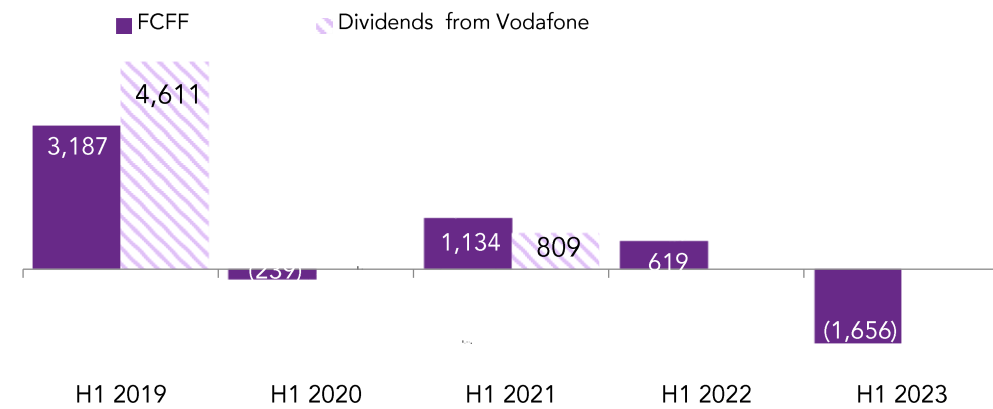
Net cash from operating activities

(EGP mn)



FCFF *

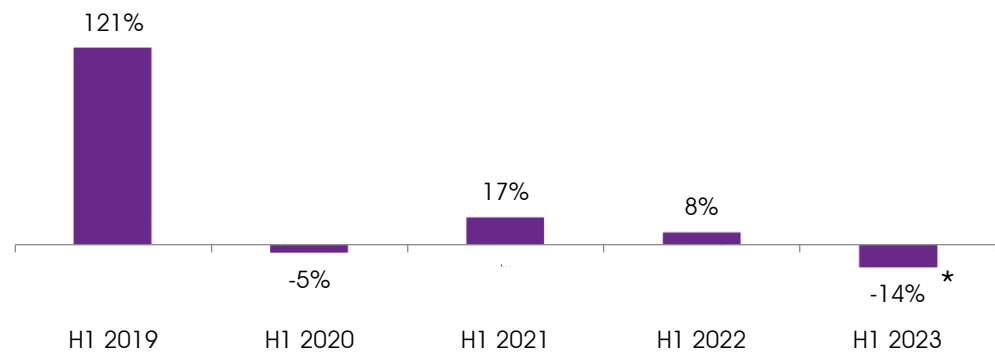
(EGP mn)



*FCFF to reach EGP 0.5bn when including the dividends received in early July 2023 from VFE

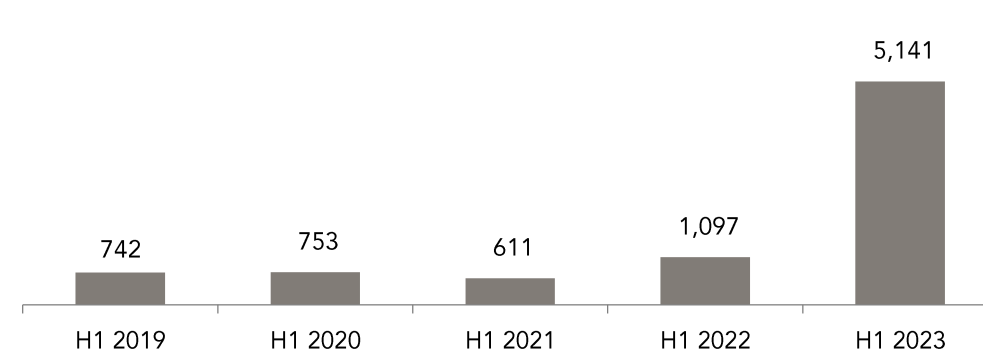
FCFF/EBITDA

(EGP mn)



FCFE

(EGP mn)



* Adjusted for the dividends received from VFE in July 2023 amounting to EGP 2.1bn, FCF/EBITDA reaches 4%.

Our performance in context

	H1 2023 actual	FY 2023 budget
Revenue growth YoY	38%	Early double digit
EBITDA margin (%)	43%	Mid-to-high 30s
CapEx/sales (%)	In-service: 16% Cash: 40%	In-service: Early 20s
FCF/EBITDA (%) *	-14%	Mid-20s

* Adjusted for the dividends received from VFE in July 2023 amounting to EGP 2.1bn, FCF/EBITDA reaches 4%.



Thank You

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