Company: Telecom Egypt

Conference Title: Telecom Egypt Q3 2017 Results Conference Call

Moderator: Ziad Itani

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Gizem: Ladies and gentlemen, welcome to Telecom Egypt's third quarter 2017 results conference call. This call is recorded and is open to analysts and investors of Telecom Egypt, and is not open to any members of the media. I will now hand you over to your host Ziad Itani from Arqaam Capital. Mr Itani, please go ahead.

Ziad Itani: Thank you Gizem. Good afternoon everyone. This is Ziad Itani. On behalf of Arqaam Capital I'd like to welcome you all to Telecom Egypt's Q3 2017 results conference call. It is my pleasure to host Telecom Egypt's senior management on the call. We have with us today Mr. Ahmed El Beheiry, managing director and chief executive officer; Mr. Mohamed Shamroukh, chief financial officer; Miss Sara Shabayek, investor relations senior director, whom I'd like to congratulate on the new role, where I am sure she will prove to be a most valuable asset. And we also have with us Miss Shaymaa Hasheesh, investor relations general manager.

By now, you should have received the company's earning release and financials, which are also to be found on the company's website. The call will start with a discussion of the key terms in this quarter, followed by a Q & A session. Without further delay, I'll now hand over the call to Sara. Thank you very much.

Sara Shabayek: Thank you Ziad, and thanks to Arqaam Capital for hosting our conference call. Good afternoon and welcome to our third quarter earnings call. I'm happy to be part of a new transformation phase for Telecom Egypt. I have been covering the company as an analyst for 10 years and I'm happy to be joining the call now from the other side, where I'm determined and eager to show the investor and analyst community TE's transformation capability. I have been positively surprised over the last week since I joined by the dynamic nature of the business and the determination of the management team to enforce change, while mitigating the challenges of the transformation phase. This quarter we have sent, with the earning release, a spreadsheet including revenue breakdowns and operational KPIs. This is a quick fix to help you with the historical data collection, and represents one of the first initiatives that the investor relations team will be undertaking to improve disclosure and demonstrate the company's financial performance.

Without further delay, I would like to draw your attention to our safe harbor statement, which will be followed by our CEO Mr. Ahmed El Beheiry's remarks on the key operational highlights of the nine months. Followed by Mr Mohammed Shamroukh, TE’s CFO, who will walk you through the financial trends in the third quarter.

We may make some forward-looking statements in the course of this conference call. These statements will be based on the information available to us as of today. And you should therefore not assume in the future that we continue to hold these views. We don't commit to notify you if our views change. We refer to our public filing for some factors that may cause forward-looking statements to differ from actual future events, or results. I will now hand over the call to Mr. Ahmed El Beheiry.

A. El Beheiry: Thank you Sara. Good morning and good afternoon everyone. Thank you for joining our conference call today. I am happy to announce that Telecom Egypt closed its nine month performance on a strong holding that will allow us to build on the growth in data services, and the new launched brand WE. As you all may know, we have introduced a new brand in the market, in the name of WE, which will not be only our mobile operation brand name; it will be the mobile, the fixed, and then the internet. So a Total telecom provider in the name of WE has been created.

Telecom Egypt's nine months revenue grew 37 percent year over year, to reach a total of 13 billion EGP. Our EBITDA margin is in the range of 30 and it is moving with the direction that we gave to you earlier. We also deliver the strong bottom line of 3.5 billion EGP, growing by 12 percent year over year. Thus, financial performance enable us to work more comfortably on mitigating the challenges ahead. This company has passed during the last six months with a huge transformation, in terms of cost cutting and CAPEX and OpEx management. I would like to highlight a few more words about the mobile loan.

We have launched our mobile services on the 18th of September. By the end of the [quarter] we had 350,000 onboard already. On October 25th, we closed one month of sales with one million customer in hand. Putting us today, year to date, around 1.6 million. This tremendous success actually was, we attribute it to a very strong communication campaign that we managed to touch base emotionally with the Egyptian people. And we, I think, passed a breaker point in the price that it was really very [attractive], for people to move from one operator to another. Our success in customer acquisition is even bigger considering that currently we only operate 150 stores, putting in mind that we didn't yet open all stores that we have, which is 350. We only are operating 150 stores in date. And we didn't yet put what we already planned using indirect sales model.

One last thing, I would like to emphasize that, WE brand doesn't only contribute on the mobile services. It will be, again, our total telecom provider plan. There will be WE mobile, WE DSL, and WE fixed. Not to make mistake about, we, in the last period we didn't forget our organic business, from the other business units, and we are putting a lot of emphasis on the international carrier business and creating new business stream, like ICT. With this I conclude my operational remarks and I hand over the phone to Mohamed Shamroukh.

M. Shamroukh: Thank you Ahmed. Good morning and good afternoon everyone. I will walk you through some of the highlights on the quarter performance and clarify some things. Revenue declined four percent quarter on quarter, and two percentage point declined in retail, coupled with six percent decline in wholesale. The declines related to a bid effect from high marginal, non-regular revenue, in enterprise and domestic wholesale segments, which was recognized in the second quarter of 2017. Adjusting for that, revenue would've grown two percentage points, quarter on quarter, and then eight percentage increase in data revenue, which now constitutes 30 percent of total revenue, up from 28 percent last year. That, however, does not mean that this revenue is non-recurring, yet the closure of some projects is unpredictable on a quarterly basis and who are expecting to close some projects in quarter four, which will enable us to maintain our full year guidance.

EBITDA margins in the quarter came in at 26 percent, mainly as a result of marginally higher device costs as we push our fixed broadband offering further and higher advertising expenses. We highlight that on nine months spaces, marketing expenses contribute a minimal of three percent of revenue. Net profit in the quarter amounted to one billion Egyptian pound, declined by 18 percent, quarter on quarter. The quarter on quarter decline is attributable to several factors. The main two reasons as earlier here related to lower high margin revenue, and number two, higher devices and advertising expenses in addition to 180 million EGP in finance and interest costs. Number four is 74, 75 million higher other income in quarter three of last year, this was partially offsetted by 100 million higher income from Vodafone and 100 million lower taxes charged this year. We maintain our full year guidance, reiterating revenue growth of high single digits on a normalized basis. EBITDA margins in the high 20s to early 30s and CAPEX to sales ratio of 25 percent, excluding any license or related fee.

On the five year business plan, which we communicated to the analysts and the investor community last quarter, I would like to highlight that the success we achieved on some of our customer acquisition front was far beyond our expectations and what we initially guided for in the second quarter of this year, and as such we are currently in the process of revisiting our five years business plan with the aim of providing a new guidance with the full year result announcement. We need to draw your attention that the higher than expected customer costs, while positive from a market share perspective, has also accelerated responding and national roaming calls at a time when we still need to roll out CAPEX to further customer traffic on our network. We are very cautious in managing and improving our cash and working capital cycle. Total cash Capex expense including license fee for nine months amounted to 5.4 billion Egyptian pounds in addition to TE gaining 1.7 billion in dividends, which leads to a total of 6 billion Egyptian pound, nevertheless our net debt increased by only 3.5 billion Egyptian pounds since the beginning of the year as a result of a strong cash flow from operations, which amounted to 3.5 billion in the nine months that ended 2017.

We continue to have a strong balance sheet with a net debt position of 5.6 billion, translating into an annualized net debt to EBITDA of 1.1x. We are restlessly working to balance between Capex expense and leverage with the aim of deploying Capex in areas where we expect positive return on investment. Additionally, we have been successful in converting a portion of our debt into US dollars, which will reduce the supplanted interest rate. Finally, I would like to point out a few factors that need to be taken into consideration for the fourth quarter. As earlier explained, we expecting some project revenue in the fourth quarter, also the increased in fixed line subscription by 25 percent starting from October 2017 will have a positive impact on top line and bottom line. On the other hand, we should see the full impact of the license amortization and higher interest expenses in the quarter four, as we started accounting for both since September 2017.

With this, I conclude my financial highlights. I will now hand the call back to operator to open the line for your questions. Thank you.

Gizem: Thank you sir. Ladies and gentlemen, we will now start the question and answer session. If you wish to ask a question, please press 01 on your telephone keypad. If you can limit your questions to two questions each to give time for everyone to ask questions. If we get more time, you may press 01 again for follow-up questions. Thank you for holding. Also we have our first question. Our first question comes from Baha Makarem from Arqaam Capital. Please go ahead.

Baha Makarem: Hi everyone. Thank you for the call and congratulations again Sara on your new position. I had a couple of questions, first one being, you already mentioned interest expenses. Can you give us any kind of idea of how big of a hit these will give to P&L moving forward? I think in Q3, only one month of these interest expenses was accrued and that was already about 22 percent of operating profit that was eaten away. So how will this look going forward? And in addition to that, is there any FX hedge in place?

Second question is regarding international business lines, which performed extremely well. Can you give us an idea of how much of this performance was due to FX gains and what would the adjusted growth rates for those business lines be? Thank you.

M. Shamroukh: For the interest expense is actually, as I said we are still committed to the guidance that we give it to the market before, which maintaining our EBITDA margins at the early 30s, the late 20s, and we are committed to do that even with high expenses coming from the interest rate. And we are committed to maintain it. Right now, as you see from the financials, we have a net debt of almost 5.6 and we are trying to maintain it at that level. We don't have an intention to increase it, for the coming period at least, even with the expansions of our network and CAPEX spend. We are trying to have some new payment and long-term commitment with a supplier for the network expansions and for the rollout of the network as well.

And, as has been mentioned also, we are trying to transform a big bulk of this loan, which is now at five billion Egyptian pound, into dollar to reduce the interest expenses dramatically as long as we still have a lot of revenue coming in to dollar. So for now I will say that our net debt with start at the five billion, which we are trying to split it, at least a big portion of it, one third we are trying to increase it into dollar, or more. So we are committed to keep the margins that we give to the market, which is 30 percent by the year end. For the line of business, which part is impacted by dollar, which part is foreign exchange, and which part is organic growth. As we mentioned, we have 37.7 percent across the top line. If you try to normalize the same exchange rate last year, we have a growth for nine months that stops at 11 percent, which is pure organic coming from our operation, which is aligned with the market guidance I've given before, which is late single digit to early double digit growth revenue.

So international carrier is indexed by dollar, International submarine cable or international customer assistance indexed by dollar. Other than that, all are coming from organic growth.

Baha Makarem: Okay. Thank you.

Gizem: Our next question comes from [Hasaan ab al Jalil 00:17:27] from CI Capital. Please go ahead.

Hasaan: Hello ladies and gentlemen. First of all, a followup question to the previous one about the international carrier affairs – It grew by 87 percent, while the interconnection cost grew by 103 percent. Does this mean the new business has ... Is this due to the increase in the, due to the devaluation in Egyptian pound? The second question is regarding the enterprise revenue. We need to look at what's happening because it's really, it changes every quarter and I think it's harder for us to be able to accurately estimate it. Also, given that Telecom Egypt has been very aggressive in terms of pricing the market and still you have to pay for the national roaming. Is this the reason for the higher interconnection cost or the high increase, which is 103 percent? Thanks.

M. Shamroukh: Yes, international carriers is hundred percent in the hard currency, so it had been affected positively with the devaluation of the Egyptian pound, and the cost that has increased for interconnection is more related to international traffic, so actually it is a cost of goods sold for international incoming calls. And that interconnection has nothing to do with national roaming. Your third question, for the quarter that's closed, third quarter I mean, we have 12 days of operations, so nothing big has been recorded with regards to revenue or costs. So national roaming has no impact on the international cost for this quarter and I think going forward, it will have a different line item. It will not be linked with international interconnect cost. For the enterprise, as has been explained, the fluctuation quarter on quarter is coming from mainly as mentioned in the revenues new communities, which is some project that has been delayed in implementation for some reason related to permissions and security issues. And now we are expecting that it will be ongoing and it will be closed by the quarter, by the year end. So it will be the recognized starting quarter four. Hopefully I answered your concern.

Sarah Shabayek: And Hasaan, if I may add on the interconnection question: you need to normalize the interconnection for the FX effect, as well as the revenue. If we normalize both, then interconnection as a percentage of net revenue is actually a little bit lower in percentage terms, and it fell down to 15.9 percent, down from 16.1. So the growth rate is not indicative. You need to look at it from a percentage of revenue perspective, and in that case it's almost flat. Slightly declined.

Hasaan: Okay. Thank you.

Gizem: Our next question comes from Omar Maher from EFG Hermes. Please go ahead.

Omar Maher: Thank you. Good evening. Last quarter, you mentioned that you would be able to share more on the commercial strategy and market share targets after the mobile launch, so I was wondering if you are able to share with us anything, even from the high level on the strategy that has been implemented for the roll out of the mobile business as well as the target market shares? Thank you.

A. El Beheiry: Let me take this ... As I mentioned in the last quarter call, we highlighted that after the mobile launch we would be in a better position to build a more effective and more accurate business plan for the years ahead. The mobile launch actually was a tremendous milestone, a humongous milestone actually. It was only because of the huge anticipation and that everyone in Telecom Egypt was waiting for it, but actually it came as a big change, so we got a new logo, new name, new way of talking to customers, new customer care. It's a complete transformation in the way we deal with our customers, plus combining this with a very strong communication campaign. Not to mention that Telecom Egypt assigned very interesting partnerships in the last period, so we are a sponsor of the football league, Egyptian football, as of last month. Plus, we signed an exclusive deal with (Souq.com) in Egypt. So this means that we are building and emphasizing on things that can take us further in the future. What we saw in the first... Since the 18th of September in the acquisition of mobile numbers is really, really, really fascinating.

You have to put into perspective that we are still only using our own distribution channels ... partially which are 150 stores. What would be, the number that we have now, which is 1.6 million will definitely change completely the outcome and the response of the, for next year. We are almost in number of subscriber activation; we are almost more than one and a half year ahead already. So what I can tell you that, as I mentioned last time in the last call, that after the third quarter and after the mobile launch, we will be able to build a more concrete business plan and this is what we are doing right now actually. And it will be shared with you quite soon. Our strategy generically will be always for the next year. We'll keep penetrating the mobile market hopefully. We, as a start, we have done it on the consumer part. But this is not the strategy that we will see long term. We just had a very light vanilla prepaid service at the launch. So it was very much a consumer care business, but going further in next year, we will shift our focus on postpaid customers in the mobile.

On the other side, we are taking lots of emphasis on integration between mobile, fixed and internet. And that's why we created the new brand, which is WE, trying to build a new way of dealing with Telecom Egypt. Third thing that there are other businesses which are, like the international carrier. This is our organic business and we are keeping, focusing on this and trying to grow it aggressively. We have put in our new organization a team that focuses on generating revenue through IoT and ICT. And I believe that this is already getting some pay off this year. Let me remind you what I said in my first call in the second quarter that the ICT revenue of Telecom

Egypt in 2017 is only 9 million EGP. Year to date we are over a hundred million and what I can tell you – this is what we said - once it trickles down and it will be an avalanche. We are the only ones suited in this country for cloud computing services, so having said that I'll reiterate what I said, that quite soon we will be sharing with you a new outlook for the years ahead. Thank you.

Omar Maher: Thank you Ahmed. And on the market share targets, are you able to share that with us today?

A. El Beheiry: I did actually; I want to be frank with everybody. Number one, as a principle, we are not entering the market to take market shares. We are very, very cautious, yet we wanted to make a strong presence, and want us to be known. What I can tell you now that surely we are known to everybody in Egypt. And it really touched based with all the social traffic. So you will find WE in the B class and will find WE in the A class. Surely what we perceive in the next year is, could be an aggressive market share acquisition, which would definitely hit on our value shares. We need to build our strategies in a way that the acquisition cost of customers on the mobile will not jeopardize the increase in profits, but are pushing in other parts of the business putting in mind again and I said last two calls actually.

Telecom Egypt is an organization which was and still is full with inefficiencies, and I like to share this with you, not only to be frank, because for you it's a huge opportunity. What we saw, that we succeeded to launch, to build a network, to contract the network ... which with the same budget that was put in the year 2017 same CAPEX. There is huge inefficiency in CAPEX, huge. And it's everywhere. So there is a lost opportunity. We are trying to get through improving our efficiency and putting more emphasis on our organic business growth, and being cautious in the mobile strategy for next year. I didn't really ... from your question, but even if I have a market share target for next year, I wouldn't share it. But what I'm telling you, I'm not going to enter the market and take losses here and there. We will enter it very cautious, try to be strong, to use our enterprise base and to grow it, to look it, and use it as an entrance for mobile, plus for cloud computing services. I hope I give you some insight of what you wanted to read.

Omar Maher: Thank you Ahmed.

A. El Beheiry: Thank you.

Gizem: We have follow up question from Baha Makarem from Arqaam Capital. Please go ahead.

Baha Makarem: Hi. Two more questions please. The first one is how many new employees were hired to, were employed by the mobile arm? How many new employees were hired and how many were transferred from fixed line internally and repositioned into mobile? And what impact should we expect this to have on SG&A] expenses? Second question: How much, if you can give us an idea of what percentage of Vodafone net income this quarter was due to exchange gains, foreign exchange gains? Thank you.

A. El Beheiry: Let me take the first part Shamroukh. This is quite very interesting story in our mobile launch. Because I can really challenge anybody to see if the business model that we adopted anywhere else. So actually, before I joined - I joined as the CEO of the company 20th of March. The total telecom desks that we have is in the range of 40. And the maximum number that we acquired will be 100 excluding the customer care, because we created new customer care, completely. There was no organization for customer care so we needed to create call center bottom up and this was done. So we have now, around 700 agents. Putting that aside, we only added 100 person, but they were very much carefully selected and we knew they were integrated into the organization, so inside the organization you will not find a person who is working within mobile. So there is a person who's responsible on calls and a person who's responsible in for access. It is really an integrated organization already. So the number, putting call center numbers aside, is in the range of 100 persons. Shamroukh will you handle the second part please.

M. Shamroukh: As I think Ahmed has mentioned, so the number of hiring that are done, except for the customer care, it's around 100, 100 plus maximum that we hired for the mobile. There's no increase in ... Hello?

Bahaa Makarim: I'm sorry, the line quality is very bad. The second question was regarding Vodafone's net income this quarter. How much of it was due to FX gains.

M. Shamroukh: I'm not allowed to talk more about Vodafone, but what I'm saying that the hike or increase in Vodafone net profit this quarter may be coming or a big portion is coming from the FX gain. They did recognize some liability and at the higher exchange rate and, now enjoyed some FX gain due to the re-evaluation of the currency. But I'm not entitled to communicate exact numbers.

Bahaa Makarim: Okay. Thank you. That's very helpful.

Gizem: We have a follow-up question from Hasaan ab al Jalil from CI Capital. Please go ahead.

Hasaan: Yeah. Good afternoon again. I wanted to ask about the national roaming agreements. So, as I understand, the only one is with Etisalat. And what's the possible outcome of after formalizing the agreement if it happened, with Vodafone and Orange. The other question is regarding the marketing strategy. I know that the postpaid subscribers are very small compared to the pre-paid, however, there is no post-paid tariff in the market from Telecom Egypt. Is this expected to change in the near future? Thanks.

M. Shamroukh: For the national roaming agreement, yes we signed with Etisalat. We were willing to sign with any other operator and our negotiation was with another one currently. We are looking to have more resilience in terms of national roaming, by having our own network and having two different national roaming agreement. What we are trying to do, as I mentioned and explained clearly, that we are trying to have ... We signed a national roaming to have nationwide coverage from day one. We now have more clarity on traffic heat maps and we can have more precise rollout plan based on the areas where we will have a plan, traffic, to be handled by our network, through this national roaming agreement, costs I mean. And meanwhile, we have other drivers that we are working on the commercial side, which is the handset, and pushing the market to have more handset ... Accommodating to the frequencies that we have, which is the 700MHz since the national roaming agreement and I think we are doing well with our operator and we are doing well as well in the rollout plan. And now we are handling converting with the number of site, a good percentage of the traffic that's generated from our customers.

On the market strategy, post-paid has nothing to do with our market strategy, as I said and mentioned by CEO, while full-fledged total telecom operator. Post-paid was for some implementation our system, and hopefully we'll finalize implementation by mid-next month. So before year end, we will have full fledged post-paid and pre-paid enterprise packages and offering for our mobile operation.

Hasaan: Thanks. Another question. As you say on the earnings release that subs have reached 1.6 million, is it possible to know how many of these subscribers are active? And by active I mean weekly active. Also if is it possible in the future, would you be able to provide us with the active number of subscribers? I know that other operators don't do this, but are you willing to do this?

M. Shamroukh: Except for that I want to give some confidence to market, I wouldn't have announced it 1.6. We are in the launching phase, we are extending our start-up of our mobile operation. And some confidentiality on the commercial side is really needed. What I will tell you, compared to the market and compared with what happened with other operator once they entered this market, we are getting a customer base which we are expecting at a lower ARPU and now we are getting a customer base within high to medium market ARPU. And for the active base, surprisingly we thought our plan was expecting some to be the second and the third stem. And now it became our first customer, I mean as a first stem. So I will say that our active customer of the total customer base is higher than the average market, from the net adds and total customer base.

Hasaan: Okay. Thank you.

Gizem: We have a follow-up question from Omar Maher from EFG Hermes. Please go ahead.

Omar Maher: Thank you. I just have a follow-up question and it's regarding the international voice services agreement that was signed with Etisalat Misr. I was wondering if you could share with us some details about the agreement and what it entails exactly? I find it a bit surprising that there is an agreement signed with them even though they have their own international gateway. So if you could clarify what it is, from a high level, in the terms of the agreement that you availed to make it attractive to them.

M. Shamroukh: Yes, Omar. Etisalat Misr has an international agreement, as you said, but again, you have, has been an operator for more than 160 years (?) now. You have connections with big carriers and big operators worldwide. So Telecom Egypt has leveraged its relationship in getting the traffic that, it might not be able to get it, but actually you get it at a higher rate, you get it at a better collection rate, so actually we did sign an agreement, which is, we did not have an agreement before, since its inception of Etisalat in 2006. We signed an agreement, which is similar to the Vodafone and the Mobinil current agreement. It is based on tier volume incentive, so according to the traffic for that connecting Etisalat customers, through my international gateway, I am paying back to Etisalat. And I think it's positive for both of us now. And it's best, as I said, on the interconnections and relations that Telecom Egypt have with international carriers.

Omar Maher: Thanks Mohamed. But can we assume that this agreement is going to result in additional margin dilution for the international business that you are getting from Etisalat Misr?

M. Shamroukh: Not yet. If you assume that, there will be a responding cost assuming the same traffic. The answer is yes, however, the agreement is getting more incentive for higher traffic, so it will be for the best interest of Etisalat to allow more traffic through my international gateway to get higher incentive. So if you assume the same traffic, the answer is yes, it will be affecting the margins, but hopefully with the nature of the agreement it will be higher traffic, so it will be growing on both supply and the margin as well.

Gizem: Thank you sir. Ladies and gentlemen, I would like to remind you, if you have any further questions, please press 01 on your telephone keypads. We have a follow-up question from Baha Makarem from Arqaam Capital. Please go ahead. (silence) Mr. Baha, your line is open now.

Baha Makarem: Yes, sorry. We saw during the quarter 10 percent year on year growth in fixed line voice subscribers. What was driving this growth exactly? Additionally, can you give us a guidance on Capex split between mobile and fixed line going forward?

M. Shamroukh: You mean that customer is growing, yes. It's mainly driven by demand for fixed broadband. And we're expecting to have another growth with within the fixed connection driven again by the demand for fixed data. As fixed lines growing because of the rental subscription fee, more net adds and more rental fee, but the traffic is a little bit flat or declining quarter over quarter, and we did adjustment for rental fee. It goes up from 12 to 15 pound, which will add a good, to our top line and bottom line in the coming year.

Sarah Shabayek: Is it clear?

Bahaa Makarim: Okay. Thank you. And regarding the Capex?

Sarah Shabayek: Can you repeat the question?

Baha Makarem: The question was what can we expect in terms of Capex mix between mobile and fixed line moving forward? How much Capex will be dedicated to mobile and how much to fixed in the future?

M. Shamroukh: We did communicate the 25% for this year and the 15% on average for the coming five years. It includes fixed and mobile, and by the way, except for pure access technology now, nothing has been segregated technology-wise between fixed and mobile. So it’s accommodating mobile and fixed, when youre building a transmission network it will accommodate mobile and fixed. So except for some aggregation point in the access network, it's 25% for this year, 15 on average for the coming five years. I mean percentage of revenue.

Sarah Shabayek: Yes. I'd like to add on this. If remember from last quarter's call, we talked about, or the CFO talked about how Capex going forward, especially on mobile, will be based on the commercial viability on each side, so there will be a business plan presented by the commercial team based on heat maps in order to justify why we need to be building Capex going forward. So the 15 percent that we are guiding for might increase if the incremental revenue for these sites is justified. And it has to be profitable, from a return on investment perspective.

Baha Makarem: Okay. That's very helpful. Thank you.

Gizem: We have a follow-up question from Hasaan ab al Jalil from CI Capital. Please go ahead.

Hasaan: Thank you. My question has already been asked. Thanks.

Gizem: We have no other questions at this time. Ladies and gentlemen, I would like to remind you, if you have any further questions, please press 01 on your telephone keypad.

Ziad Itani: Sorry, just while waiting. I just have a question. How many homes have currently been passed with fiber and what's the plan over the next five years?

M. Shamroukh: Most of the new booths are now fiber to the home or fiber to the building. Currently we have, let's say 5,000 home connected and ... You mean fiber to the home, not fiber based on fiber accrual? [crosstalk 00:46:48]

Sarah Shabayek: Do you mean FTTH connection? FTTH or just homes-

Ziad Itani: Yes. FTTH.

M. Shamroukh: FTTH. So fiber to the end users. It's at 5,000 households right now, but fiber to the curb its 5 million, with the last mile not exceeding 500 meter of CAPEX and to all of our new project is based on fiber to the home. And most of the community is fiber to the home right now.

Ziad Itani: Okay. So, 5 million you said, with FTTC?

M. Shamroukh: FTTC yes.

Ziad Itani: Yes. Okay. Perfect. And one more question please. On the mobile business, typically the strategy when you're a new entrant is to have attractive prices, as is the case, going forward, so when can we expect your prices to re-align with the market basically? Any timeline for that once you have market share that you're basically happy with?

A. El Beheiry: I think the question of price is ... It's overtaking much of the concentration of our mobile launch. We have gone down in the prices, yes. We always mentioned that this is just a targeting promotion, and we are targeting to stop quite soon, so very soon we will go back and be at same price level as others, but putting in mind there are some today, there are some profiles that our competitors are putting that can get you for certain part of their base, a price tag which is sometimes less that Telecom Egypt's base. So this needs to be checked carefully actually, how we will be matching them, knowing that we have been in an acquisition phase. This is under discussion. We have already developed a strategy for it. And let's see how it will go.

Ziad Itani: Okay. And one just last question. I know it might be a sensitive issue, but you're still happy with your 45 percent ownership in Vodafone Egypt at the moment? And there are no updates on that?

A. El Beheiry: Yeah. Sure. Surely. ... had once statement regarding Vodafone and ... actually it's our guidance, our belief as an executive team, we are extremely pleased with our 45 percent of the Vodafone Egypt. It is quite lucrative as an investment, yet we needed to work to enter market, to pass the market share. But we are not capitalizing the revenues from Vodafone. So, no, nothing will change in that. We will keep the 45 percent of Vodafone. One change will happen soon, the executive team of Telecom Egypt will not be in the board of Vodafone Egypt going forward. Rather than this, we see no conflict of interest and I believe we have extremely healthy relations with them as the competitor for WE

Ziad Itani: Okay. Also looking at the Egyptian market basically, what do you see in terms of passive infrastructure sharing? It looks very attractive now with four mobile operators, huge geographical spread as well as the 90 million population, so any thoughts about infrastructure sharing, potential to-

A. El Beheiry: Infrastructure sharing for the mobile?

Ziad Itani: For the mobile business, yeah.

A. El Beheiry: It's a core process of our strategy. We are very open to the limits that it can take us. It can start with very simple site sharing, moving into RAN sharing and maybe in ... depending on the situation maybe, or even make it more progressive than that. So yes, yes, infrastructure sharing. I think it's almost mandatory ... in Egypt but I think no one today is ready to acquire the costs required to building infrastructure alone, so definitely there will be infrastructure sharing ... And Telecom Egypt as the new entrant will capitalize on that most of the time.

Ziad Itani: Great. Thank you.

Sara Shabayek: We thank you, operator.

Gizem: We have no further questions. Miss Sarah, back to you for the conclusion.

Sara Shabayek: Thank you all for taking the time today to join this call, and looking forward to update you on our progress on the full year results call. In the meantime, if you have any further queries, please to get in touch with the Investor Relations team. Thank you very much.

Gizem: This concludes today's conference call. Thank you for your participation. You may now disconnect.