

Investor Presentation

telecomegypt

Q1 2018



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Q1 2018 results highlights



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Revenue

(EGP bn)

4.8bn

+ 15% YoY/ -12% QoQ

Customers

(In mn)

	Voice	Data
Fixed	7.3	4.4
Mobile	2.9	

Q1 2018: Strong operational growth

- ✓ Consolidated revenue of Q1 2018 came in at EGP 4.8bn with a YoY growth of 15%.
- ✓ Retail Services segment solely led the growth in consolidated revenue with a growth of 35% YoY driven by the rise of Home & Consumer services which grew by 45%.
- ✓ Our customer base grew across all segments: Fixed Voice reached 7.3mn (10% YoY), ADSL totaled 4.4mn (29% YoY), and Mobile closed at 2.9mn (27% QoQ).
- ✓ Wholesale revenue remained flat as the decline in ICA stemming from the global trend of declining international voice traffic was largely offset by the revenue increase in Domestic Wholesale, followed by the increase in IC&N.
- ✓ EBITDA grew by 9% recording a margin of 31.5% higher than our full year guidance of mid to high 20's. We note that Q1 is usually the quarter with the highest margin of the year.
- ✓ Net profit totaled EGP 688mn with a drop of 48% from Q1 2017 due to a decline in investment income from VFE, followed by an increase in depreciation & amortization, and interest expense.

EBITDA

(EGP bn)

1.5bn

+ 9% YoY/ +19% QoQ

Net Profit

(EGP mn)

688mn

vs. Net profit of 1.3bn in Q1 17

EBITDA margin of 31.5% (+199 bps)

Net profit margin of 14.4%

Highlights of the main events of the quarter

Events in the quarter



A new investor relations portal was launched adapting the "WE" approach



Telecom Egypt and Etisalat Misr signed a final settlement agreement in regards to a dispute on international calls services



Telecom Egypt renewed its transmission and infrastructure services agreement with Vodafone Egypt



Telecom Egypt signed an agreement with Orange Data to provide bitstream services for three years



Telecom Egypt announced a potential investment opportunity in submarine cables

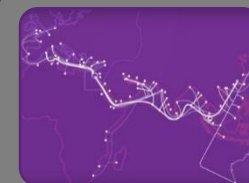
Subsequent to the quarter



WE launched its post-paid offering under the name of "indigo"



Telecom Egypt revamped its fixed broadband service as "WE Internet", offering highest speed, best reliability, and top-notch customer experience.



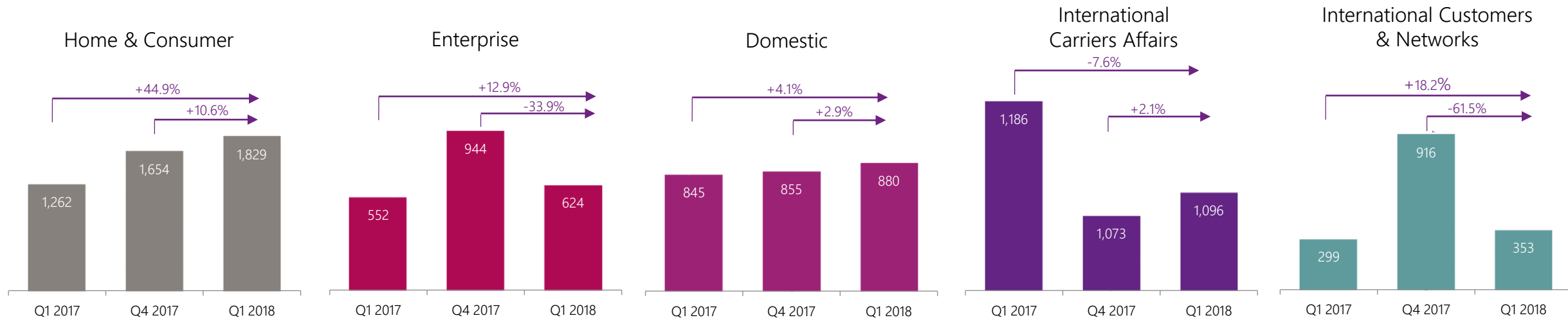
BoD approved the acquisition of Middle East and North Africa Submarine Cable (MENA Cable) by a 50% owned subsidiary



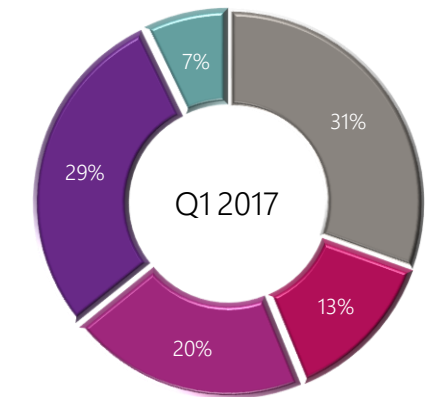
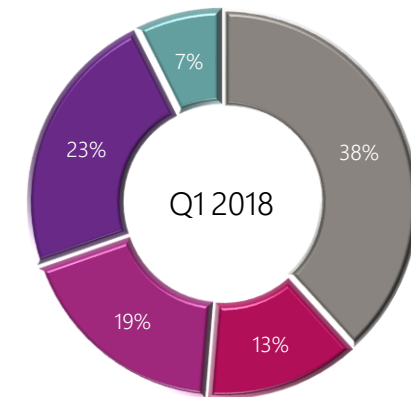
BoD also approved a renewable 5-year USD 500mn syndicated loan to refinance outstanding short-term USD debt and to provide a cushion for working capital needs

Revenue by business unit

Data leading revenue growth



- ✓ Home & Consumer revenue, which grew by 45% led the increase in Retail services revenue, contributing 89% of the YoY growth in Retail services, capturing a larger share of total revenue on the expense of International Carrier Affairs.
- ✓ Home & Consumer data revenue increased by 46% on a 30% growth in ADSL customers, coupled with a 9% growth in ADSL ARPU. The growth was complemented by an increase of 43% in Home & Consumer voice services, led by a 10% in Fixed line customers.
- ✓ Enterprise Solutions witnessed an increase of 13% from Q1 2017 to Q1 2018.
- ✓ Wholesale services had an 18% growth in IC&N accompanied by a 4% increase in Domestic wholesale, both offset the 8% decline in ICA revenue resulted by the global trend of decline in IDD revenue.
- ✓ IC&N grew its revenues through an outstanding increase in International Customer Support growing by 48% in addition to a 19% increase in Ancillary services revenue.



Key highlights

Revenue driven performance



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Income statement

<i>In EGP mn</i>	Q1 2018	Q4 2017	Q1 2017	QoQ	YoY
Revenue	4,782	5,442	4,144	-12%	15%
Home & Consumer	1,829	1,654	1,262	11%	45%
Enterprise Solutions	624	944	552	-34%	13%
Domestic Wholesale	880	855	845	3%	4%
International Carriers Affairs	1,096	1,073	1,186	2%	-8%
International Customers & Networks	353	916	299	-61%	18%
Total employee cost	-1,202	-1,772	-1,007	-32%	19%
Call costs	-1,015	-1,039	-942	-2%	8%
CoGS (excl. above expenses)	-753	-972	-599	-23%	26%
S&D (excl. salaries, D&A)	-201	-238	-87	-15%	132%
G&A (excl. salaries, D&A)	-105	-159	-121	-34%	-14%
EBITDA	1,506	1,261	1,387	19%	9%
<i>Margin</i>	<i>31%</i>	<i>23%</i>	<i>33%</i>	<i>831 bps</i>	<i>(199 bps)</i>
Other (expense) / income	36	-1,066	43	103%	-16%
Depreciation	-529	-626	-373	-15%	42%
Amortization	-151	-162	-26	-7%	491%
Operating profit	862	-593	1,031	245%	-16%
<i>Margin</i>	<i>18%</i>	<i>-11%</i>	<i>22%</i>	<i>2,892 bps</i>	<i>(354 bps)</i>
Income from investments	287	561	675	-49%	-58%
Net finance (cost) / income	-80	-183	-114	56%	30%
Net interest (expense) / income	-211	-222	6	-5%	N/M
Tax	-168	8	-272	N/M	-38%
Net Profit	688	-431	1,326	260%	-48%
<i>Margin</i>	<i>14%</i>	<i>-8%</i>	<i>32%</i>	<i>2,230 bps</i>	<i>(1,761 bps)</i>
EPS *	0.4	-0.25	0.78	260%	-48%

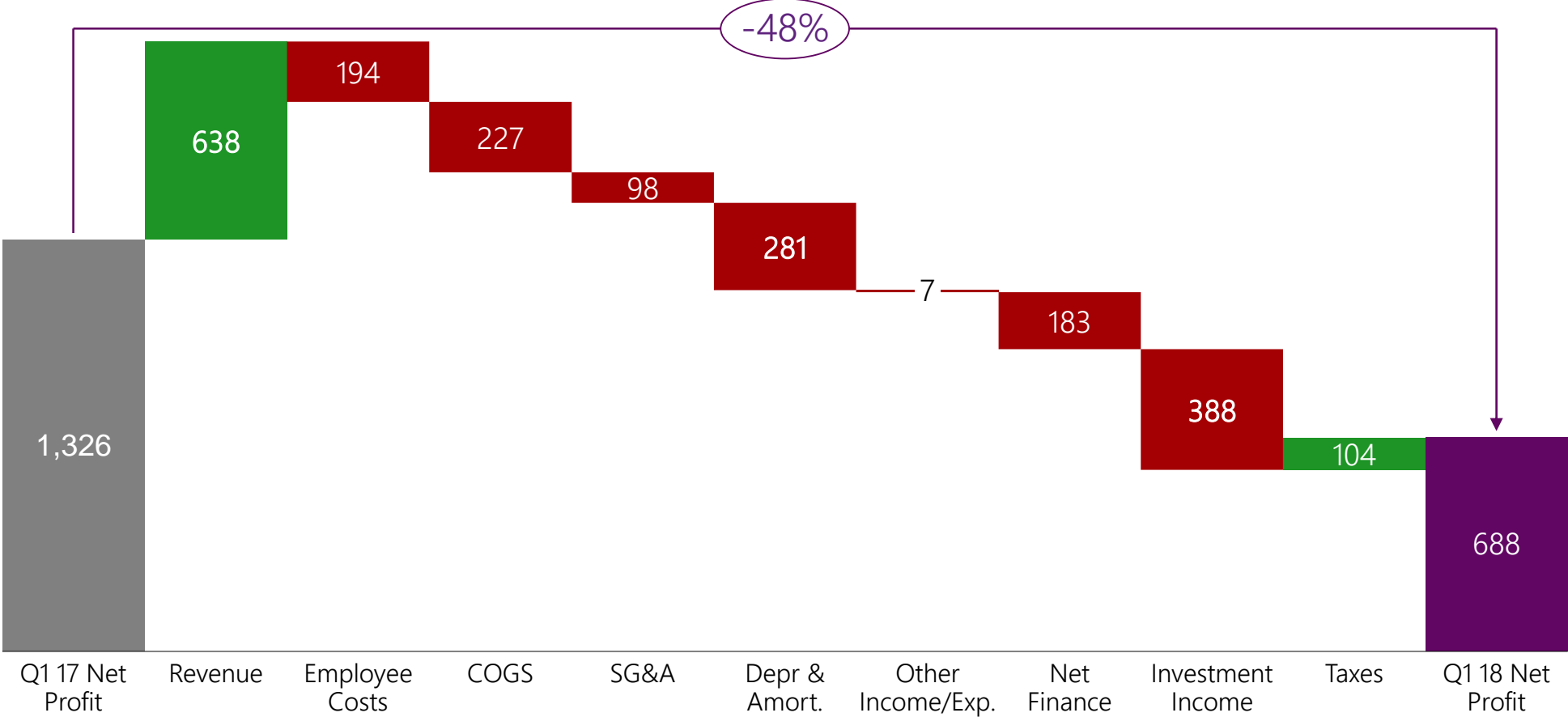
Note: All financial figures reported are based on the consolidated financials under The Egyptian Accounting Standards

* EPS excludes employees profit share

Revenue	<ul style="list-style-type: none"> Total revenue grew by 15% as a result of outstanding performance in Retail services, while Wholesale maintained a stable performance.
Expenses	<ul style="list-style-type: none"> Call costs as a percentage of revenue declined to 21% in Q1 2018 from 23% in Q1 2017 supported by the increase in topline and despite the increase in mobile services related call costs. Salaries have increased by 19% YoY as a result of offering social allowance for employees, raising the minimum wage, and hiring new employees for our mobile network operations. Normalizing Q1 2017 for such items leads to a 10% YoY increase in salaries, aligned with the annual salary increase. S&D expenses have risen due to the strong marketing campaigns related to mobile services and several commercial sponsorships.
EBITDA	<ul style="list-style-type: none"> EBITDA came in at EGP 1.5bn with a margin of 31.5%. We note that some employee cost adjustments took place starting Q2 2017 retroactively, applying such charges on Q1 2017 leads to a normalized EBITDA margin of 31.8%
Other OPEX	<ul style="list-style-type: none"> Depreciation increased by 42% YoY as a result of our increased investments in the fiber infrastructure and mobile network. Amortization recorded EGP 151mn as a result of the start of mobile license amortization in Q3 2017. Hence, Q1 2017 did not include mobile license amortization.
Non-operational	<ul style="list-style-type: none"> Investment income from VFE declined by 58% due to tax and legal provisions, and the retroactive application of discounts related to Vodafone International Services. The company started incurring interest expense in Q3 2017, prior to that interest was capitalized until the mobile launch. Hence, Q1 2017 did not include interest expense.
Net profit	<ul style="list-style-type: none"> Net Profit declined by 48%, impacted most significantly by: decline in investment income from VFE, followed by an increase depreciation & amortization, and increase in interest expense. Normalizing net profit for VFE would lead to a net profit of EGP 931mn (a decline of 30% YoY)

Net profit

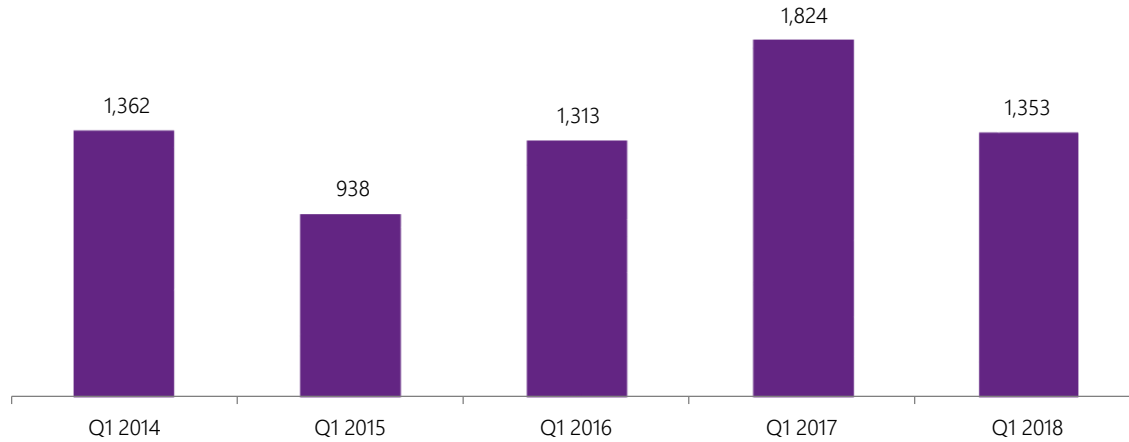
Variance analysis



Cash flow analysis

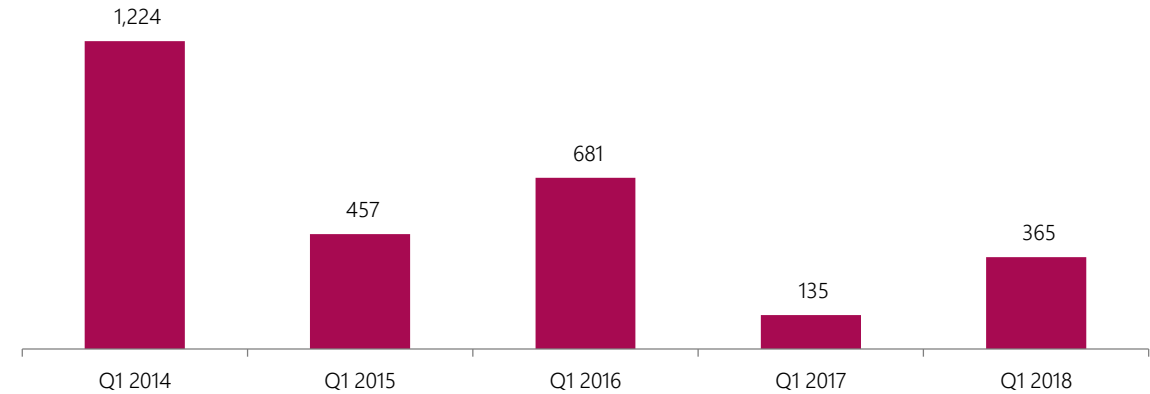
Net cash from operating activities

(EGP mn)



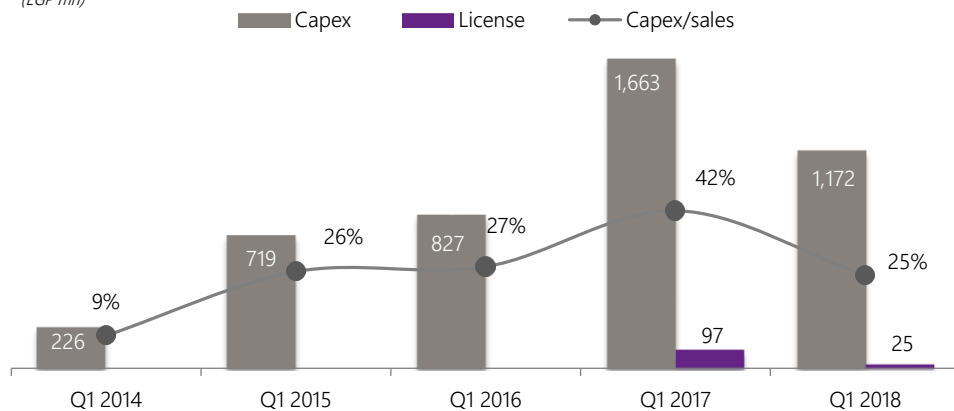
FCFF

(EGP mn)



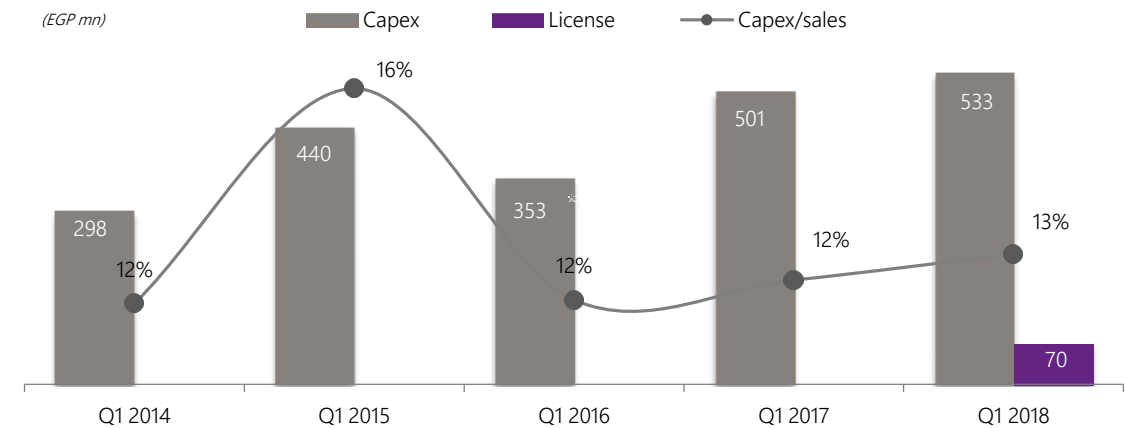
Cash capex

(EGP mn)



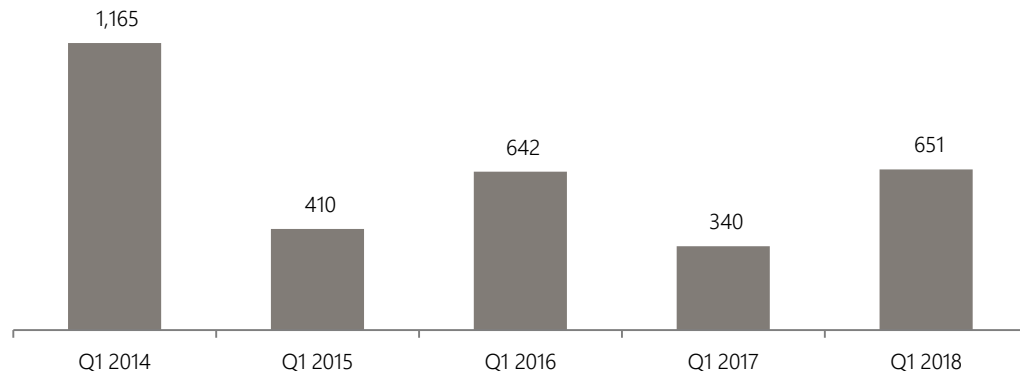
In-service capex

(EGP mn)



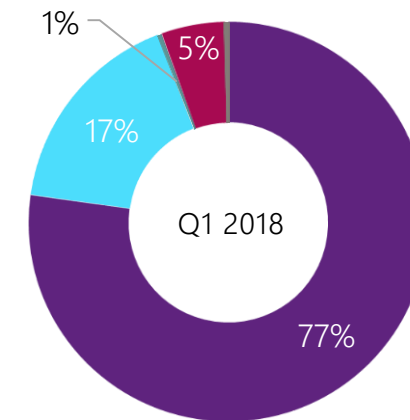
Balance sheet highlights

FCFE
(EGP mn)

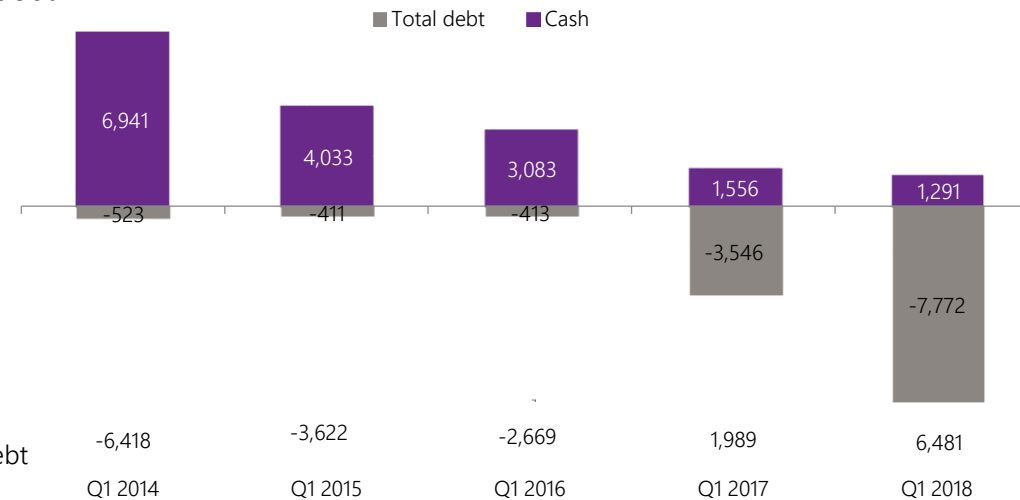


Breakdown of capex in-service

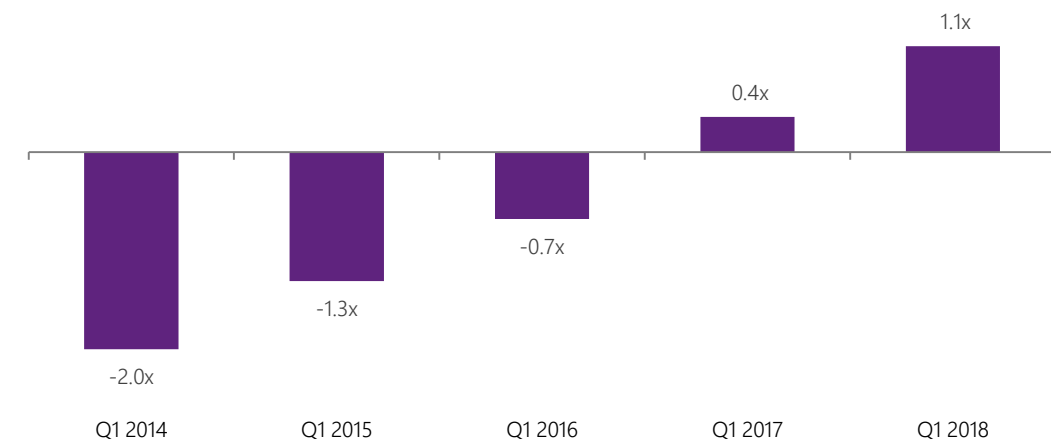
■ Access Network ■ Transmission ■ International cable ■ Customer care ■ Others



Net debt
(EGP mn)



Net debt/ EBITDA
(Based on annualized EBITDA)



Our performance in context

Delivering on guidance across main KPIs



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	Q1 2018 actual	FY 2018 guidance
Revenue Growth YoY	15%	High single to low double digit
EBITDA margin (%)	31%	Mid to high 20s
CAPEX / sales (%)	In-service: 13% Cash: 25%	30-35%

Thank you

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Check our newly revamped website
www.ir.te.eg



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