



# ETISALAT GROUP Q3 2019 RESULTS PRESENTATION

23 OCTOBER 2019 - ABU DHABI, UAE



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# 1. Business Overview

Saleh Al Abdooli  
Chief Executive Officer  
Etisalat Group

## ETISALAT GROUP FINANCIAL HIGHLIGHTS

AED Million	Q3 2019	Growth YoY%	Growth QoQ%	9M 2019	Growth YoY%	Growth YoY% Constant Exchange Rates <sup>(1)</sup>
Revenue	12,977	-1%	+1%	38,846	-1%	+1%
EBITDA	6,754	+3%	+0%	20,093	+2%	+4%
<i>EBITDA Margin</i>	<i>52%</i>	<i>+2pp</i>	<i>-0pp</i>	<i>52%</i>	<i>+2pp</i>	<i>+1pp</i>
Net profit	2,286	+0%	+2%	6,730	+2%	
<i>Net profit Margin</i>	<i>18%</i>	<i>+0pp</i>	<i>+0pp</i>	<i>17%</i>	<i>+1pp</i>	
Capex	1,853	+16%	+29%	4,881	-3%	
<i>Capex/Revenue</i>	<i>14%</i>	<i>+2pp</i>	<i>+3pp</i>	<i>13%</i>	<i>-0pp</i>	

### Q3 2019 Highlights

- Revenue decline Y/Y is attributed to unfavorable exchange rate movements in Pakistani Rupee and Moroccan Dirham, as well as reinstatement of tax on telecom services in Pakistan; Revenue grew in constant exchange rates by 1%
- EBITDA increase Y/Y is driven by lower roaming costs, network costs, staff costs and general expenses
- Improvement in EBITDA margin
- Similar net profit margin
- Higher capital expenditure mainly from international operations.

(1) Constant currency: Financial results assuming constant foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. In order to compute our constant currency results, we multiple or divide, as appropriate, our current AED results by the current year monthly average foreign exchange rates and then multiply or divide, as appropriate, those amounts by the prior year monthly average foreign exchange rates.

## ETISALAT GROUP Q3'19 FINANCIAL HIGHLIGHTS



### Financial Highlights

- Increased Etisalat Group subscriber base by +5%
- Maintained revenue growth in constant currency
- Improved EBITDA Margin and maintained operating free cashflow margin
- Improving full year guidance for profitability and free cashflow



### Domestic Operations

- Maintained subscriber growth in high quality postpaid segments
- Revenue growth impacted by regulatory and competitive environments
- Improved EBITDA margin
- Deployment of 5G network



### International Operations

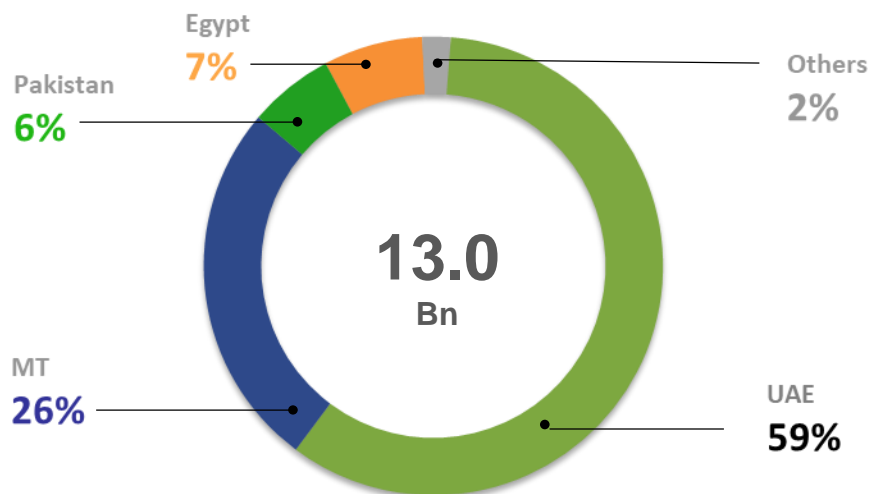
- Int'l portfolio impacted by unfavourable exchange rate movements
- Maroc Telecom Group maintained focus on data monetization in Morocco while expanding international footprint
- Etisalat Misr maintained robust revenue and EBITDA growth
- Pakistan operations improved fixed broadband revenue while expanded mobile segment customer base

## 2. Financial Overview

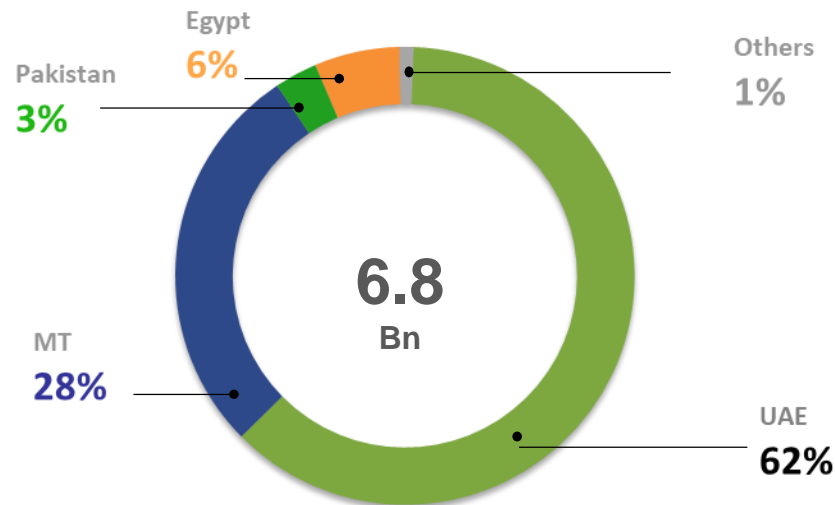
Serkan Okandan  
Chief Financial Officer  
Etisalat Group

# ETISALAT GROUP FINANCIAL HIGHLIGHTS

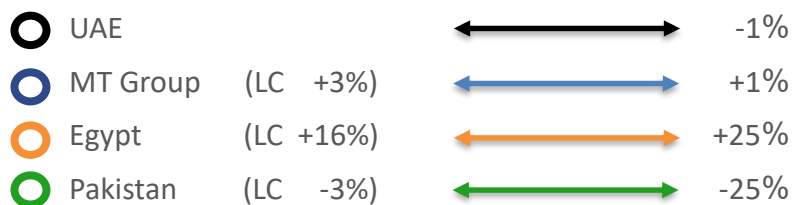
Revenue Breakdown Q3 2019 (AED m)



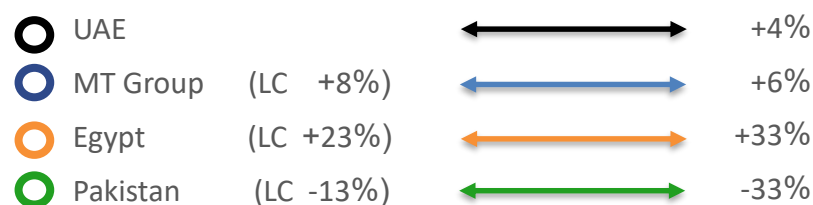
EBITDA Breakdown Q3 2019 (AED m)



YOY Growth -1%



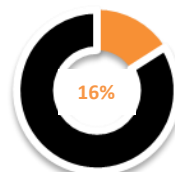
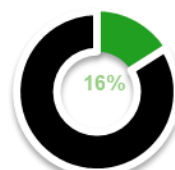
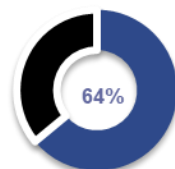
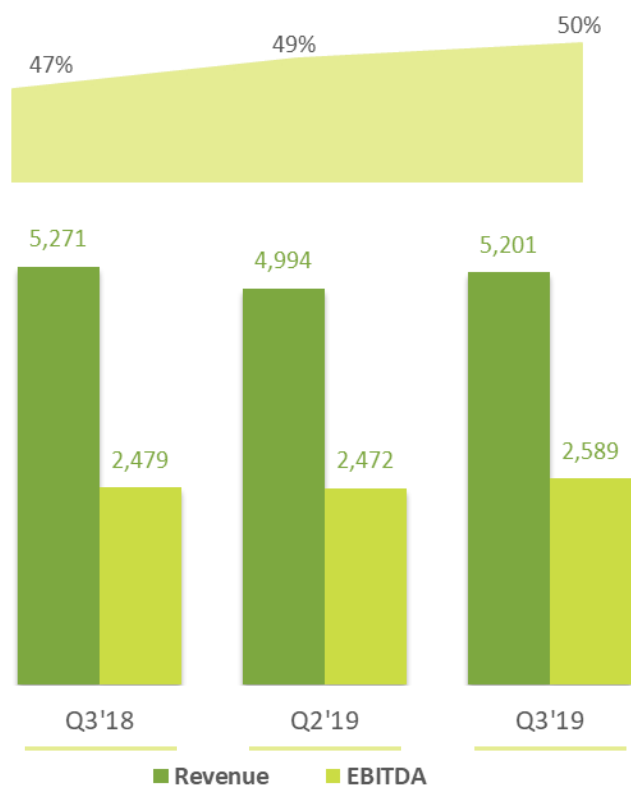
YOY Growth +3%



Represents others

# INT'L OPERATIONS FINANCIAL HIGHLIGHTS Q3 2019

Revenue (AED m) / EBITDA (AED m) / EBITDA Margin (%)



Revenue & EBITDA (AED m) / EBITDA Margin (%) / YoY Growth %

Maroc Telecom	Q3 2019	Growth in AED	Growth in MAD
Revenue	3,422	+1%	+3%
EBITDA	1,904	+6%	+8%
EBITDA Margin	56%	+3pp	+3pp

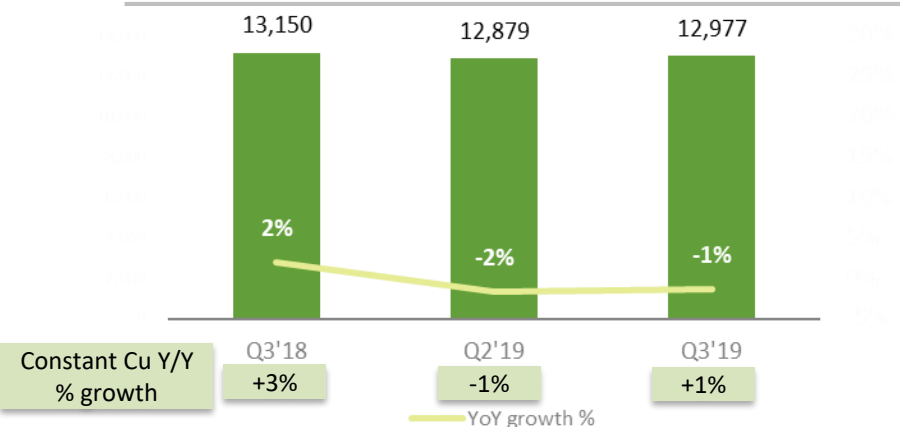
Pakistan	Q3 2019	Growth in AED	Growth in PKR
Revenue	732	-25%	-3%
EBITDA	220	-33%	-13%
EBITDA Margin	30%	-3pp	-3pp

Etisalat Misr	Q3 2019	Growth in AED	Growth in EGP
Revenue	910	+25%	+16%
EBITDA	431	+33%	+23%
EBITDA Margin	47%	+3pp	+3pp

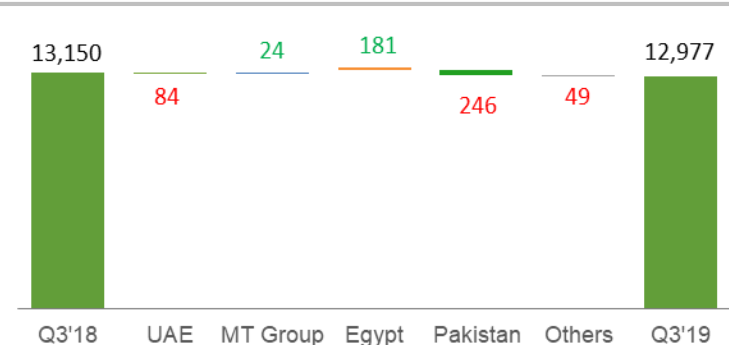


# GROUP REVENUE

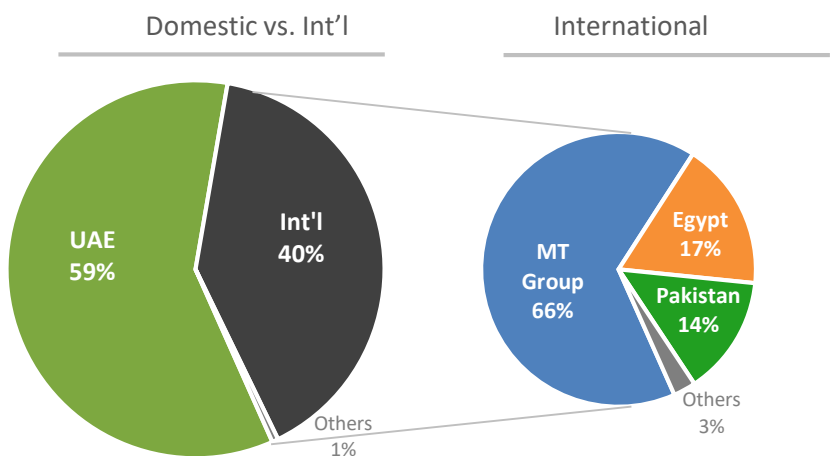
Revenue (AED m) and YoY growth (%)



Sources of Revenue growth Q3 2019 Vs. Q3 2018 (AEDm)



Revenue by Cluster (Q3 2019)

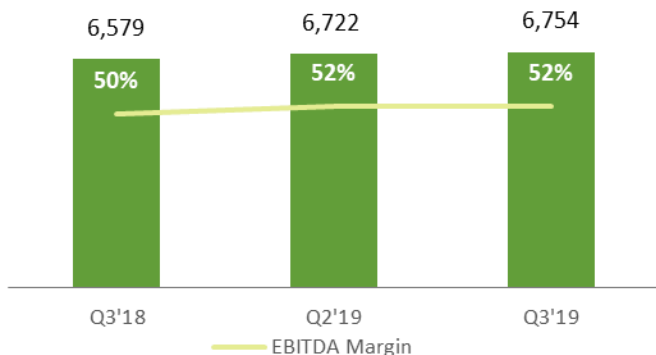


## Highlights

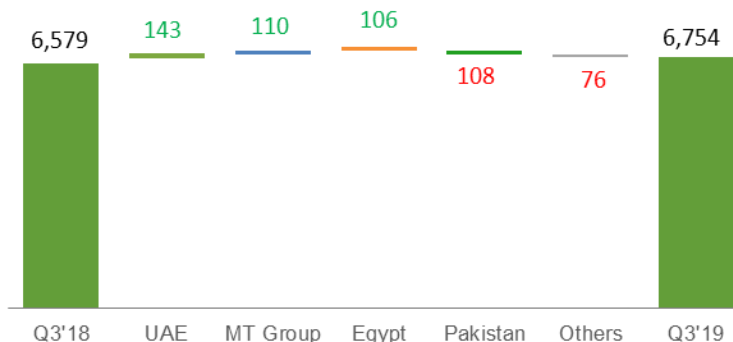
- In Q3'19 consolidated revenue decreased Y/Y by 1% attributed mainly to operations in the UAE and Pakistan
- Growth in the UAE impacted by mobile prepaid segment and handset sales
- Revenues from international consolidated operations decreased by 1%, resulting in 40% contribution to Group revenues:
  - Revenue growth in MT Group negatively impacted by currency and performance of International operations while benefited from the consolidation of Tigo Chad
  - Revenue growth in Egypt mainly attributed to strong growth in mobile broadband
  - Revenue growth in Pakistan negatively impacted by currency devaluation and mobile segment

# GROUP EBITDA

EBITDA (AED m) & EBITDA Margin



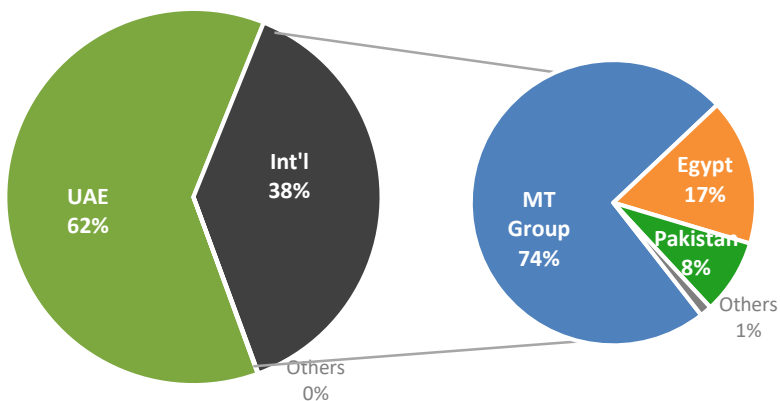
Sources of EBITDA growth – Q3 2019 vs Q3 2018 (AED m)



EBITDA by Cluster (Q3 2019)

Domestic vs. Int'l

International

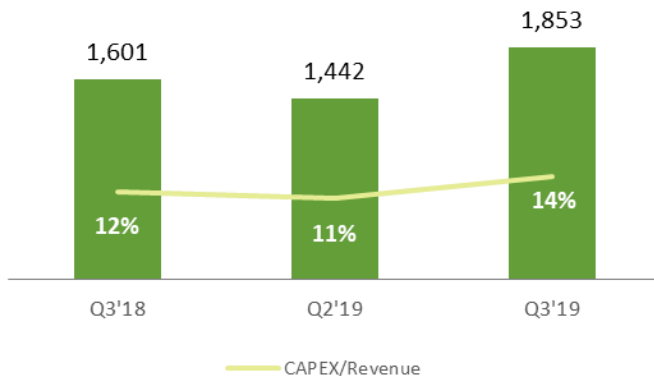


## Highlights

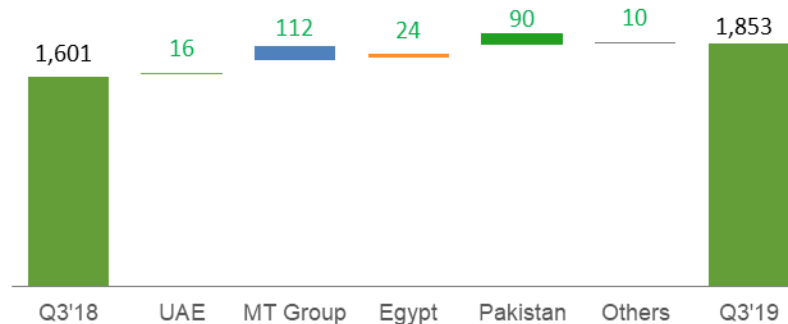
- In Q3'19 consolidated EBITDA increased Y/Y by 3% to AED 6.8 billion.
- EBITDA in the UAE positively impacted by lower cost of sales and lower operating costs
- EBITDA of consolidated international operations increased Y/Y by 4%, resulting in 38% contribution to Group EBITDA, 1pp higher than prior year:
  - Positive contribution from Maroc Telecom Group attributed to performance of both domestic and international operations
  - Positive contribution from Egypt due to higher revenues and one-off related to settlement
  - Negative contribution from Pakistan impacted by currency devaluation and lower revenue

# GROUP CAPEX

CAPEX (AED m) & CAPEX/Revenue Ratio (%)



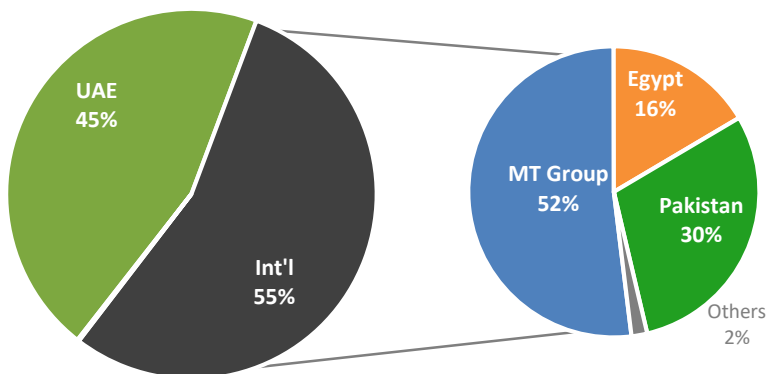
Sources of Capex growth – Q3 2019 vs Q3 2018 (AED m)



CAPEX by Cluster (Q3 2019)

Domestic vs. Int'l

International



## Highlights

- In Q3'19 consolidated capex increased Y/Y by 16% resulting in a Capex / Revenue ratio of 14%
- Higher capital spend in the UAE focused on 5G network rollout, network modernization and maintenance capex
- Capital expenditure in international operations increased by 30% and contributed 55% to consolidated Group Capex, 6pp higher than prior year
  - Higher capex in MT Group attributed to domestic and international operation
  - Higher capex in Egypt with focus on 4G deployment and enhancing network capacity
  - Higher capex spend in Pakistan focused on fixed network modernization and mobile network enhancement

## GROUP BALANCE SHEET & CASH FLOWS

Balance Sheet (AED m)	Dec-18	Sep-19
Cash & bank Balances	28,361	26,429
Total Assets	125,243	124,329
Total Debt	23,526	24,124
Net Cash / (Debt)	4,835	2,305
Total Equity	57,245	55,939

Cash flow (AED m)	Sep-18	Sep-19
Operating	10,742	10,692
Investing	(4,611)	(4,572)
Financing	(9,096)	(8,529)
Net change in cash	(2,966)	(2,409)
<i>Effect of FX rate changes</i>	118	504
Reclassified as held for sales	(24)	(27)
Ending cash balance	24,254	26,429

### Investment Grade Credit Ratings



AA-/Stable



Moody's

Aa3/Stable

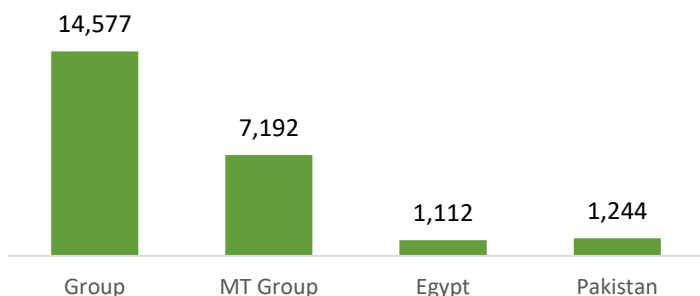
### Highlights

- Strong liquidity position with positive net cash position
- Slightly lower operating cash flow due to higher income tax payments
- Lower financing cash outflow mainly attributed to higher proceeds from bank borrowings.

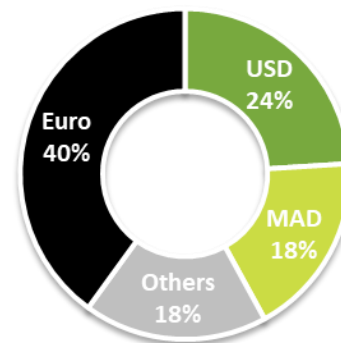
Note: Debt represents interest bearing debt i.e. bonds, banks borrowings, vendor financing and other financial obligations. It excludes lease obligations.

# DEBT PROFILE: DIVERSIFIED DEBT PORTFOLIO

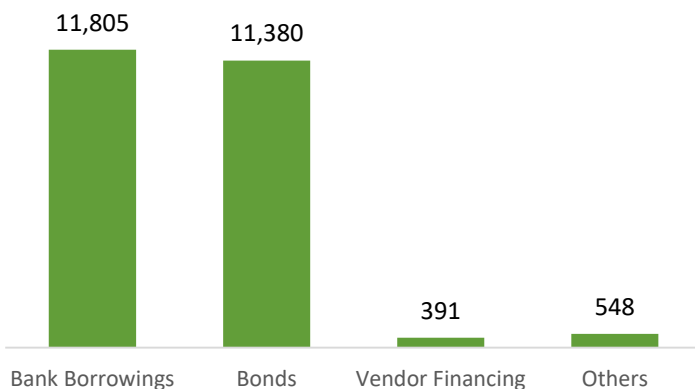
Borrowings by Operation Q3 2019 (AED m)



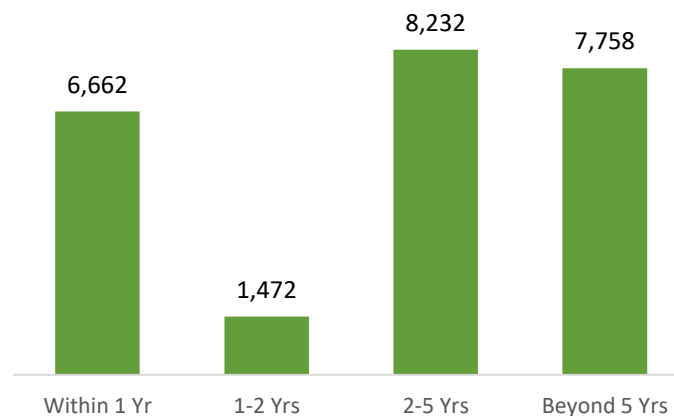
Borrowings by Currency Q3 2019 (%)



Debt by Source Q3 2019 (AED m)



Repayment Schedule Q3 2019 (AED m)



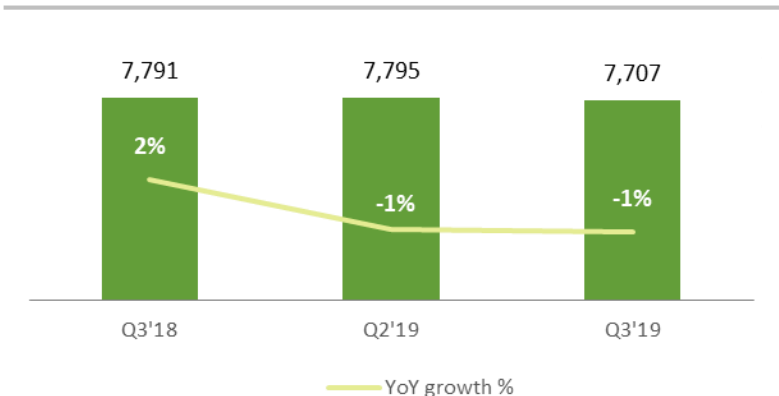
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# **COUNTRY BY COUNTRY FINANCIAL REVIEW**

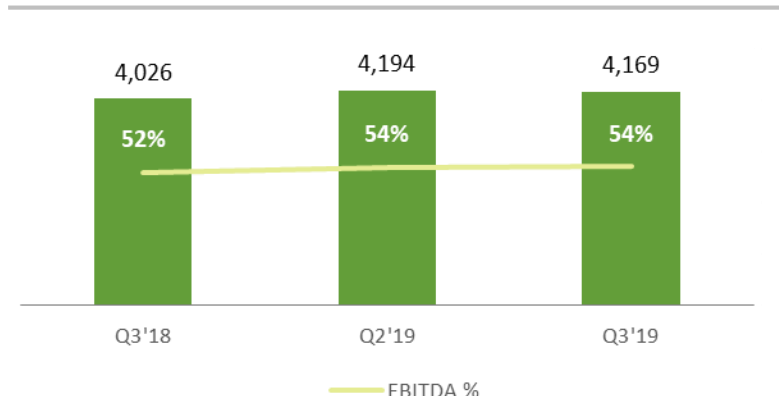


# UAE: IMPROVING PROFITABILITY MARGINS WHILE INVESTING IN NEW TECHNOLOGIES

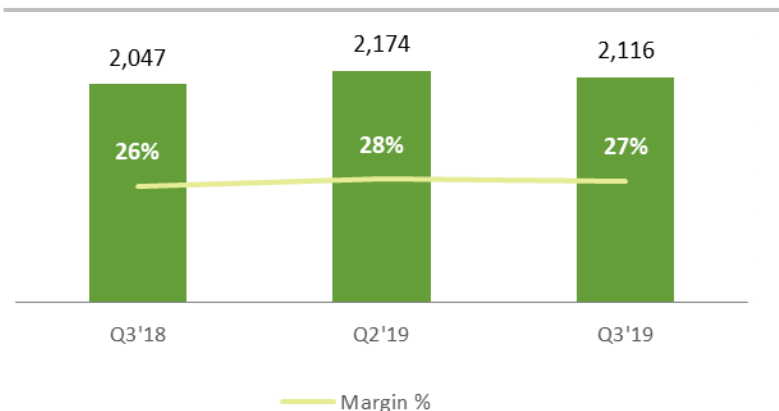
Revenue (AED m) / YoY Growth (%)



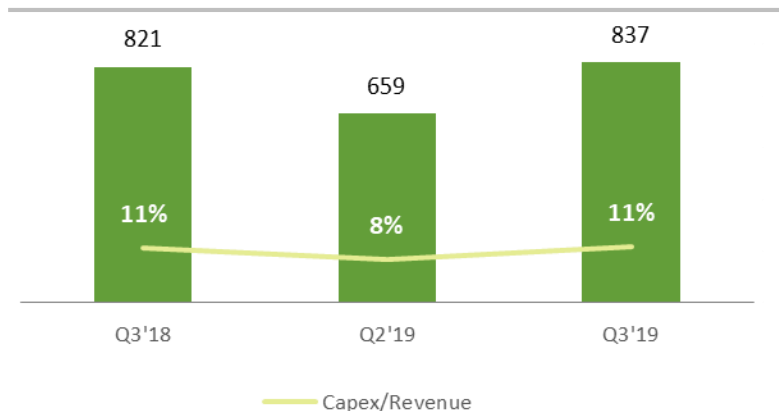
EBITDA (AED m) / EBITDA %



Net Profit (AED m) / Profit Margin (%)



CAPEX (AED m) & CAPEX / Revenue Ratio (%)



# UAE: REVENUE BREAKDOWN AND KEY KPI'S

Mobile Revenues<sup>(1)</sup> (AED m)



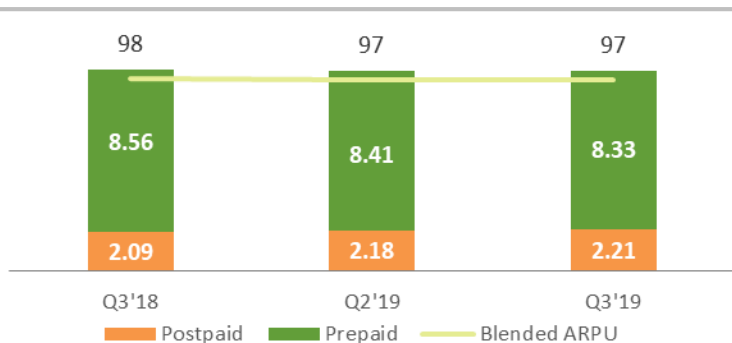
Fixed Revenues<sup>(2)</sup> (AED m)



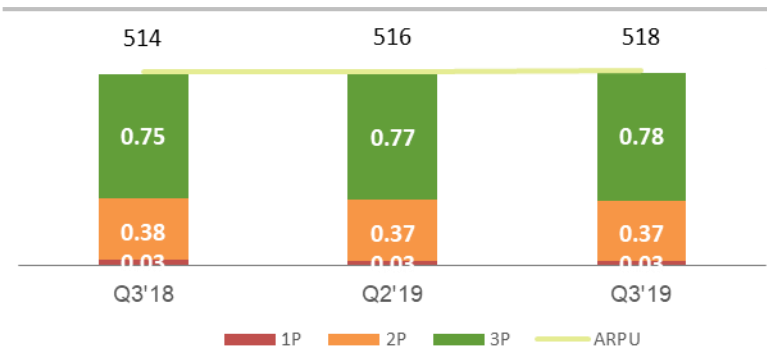
Other Revenues<sup>(3)</sup> (AED m)



Mobile Subs<sup>(4)</sup> (m) & ARPU<sup>(5)</sup> (AED)



Fixed Broadband<sup>(6)</sup> Subs (m) & ARPU<sup>(7)</sup> (AED)



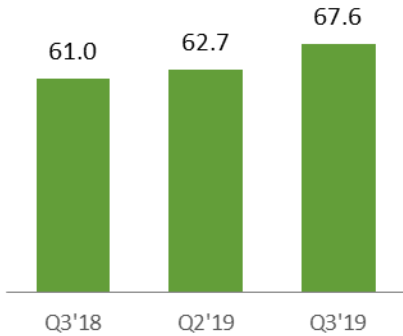
- (1) Mobile revenues includes mobile voice, data, rental, outbound roaming, VAS, and mobile digital services
- (2) Fixed revenues includes fixed voice, data, rental, VAS, internet and TV services
- (3) Others Revenues includes ICT, managed services, wholesale (local and int'l interconnection, transit and others), visitor roaming, handsets and miscellaneous
- (4) Mobile subscribers represents active subscriber who has made or received a voice or video call in the preceding 90 days, or has sent an SMS or MMS during that period
- (5) Mobile ARPU ("Average Revenue Per User") calculated as total mobile revenue divided by the average mobile subscribers.
- (6) Fixed broadband subscriber numbers calculated as total of residential DSL (Al-Shamil), corporate DSL (Business One) and E-Life subscribers.
- (7) ARPL ("Average Revenue Per Line") calculated as fixed broadband line revenues divided by the average fixed broadband subscribers.



# MAROC TELECOM: EXPANDING INTERNATIONAL FOOTPRINT

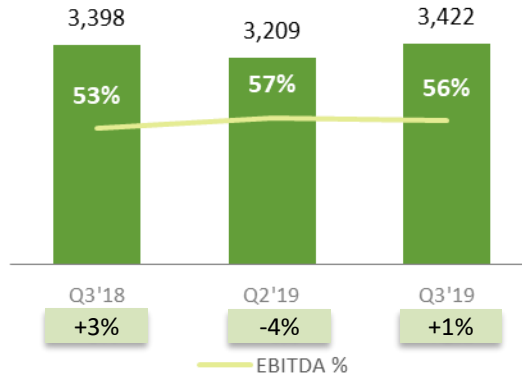
Morocco, Benin, Burkina Faso, CAR, CDI, Chad, Gabon, Mali, Mauritania, Niger & Togo

Subscribers (m)

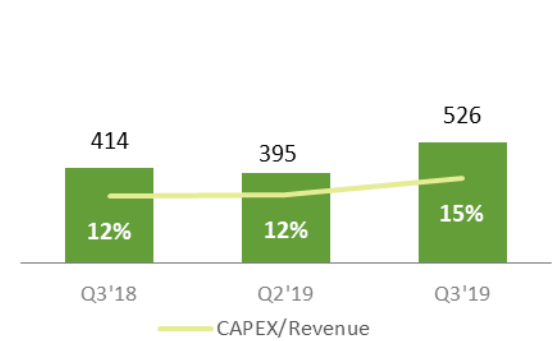


Y/Y % growth

Revenue (AED m) / EBITDA Margin

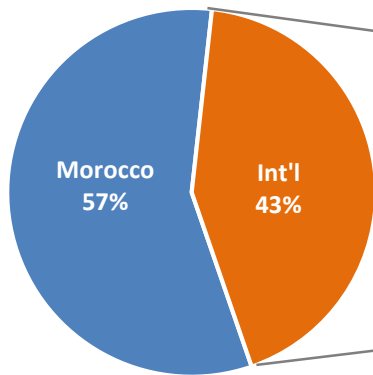


CAPEX (AED m) & CAPEX/Revenue Ratio (%)

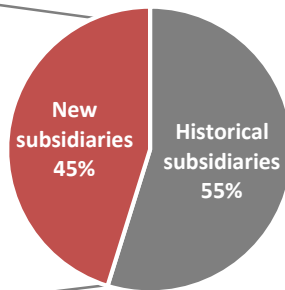


Revenue Breakdown Q3 2019

Domestic vs. Int'l

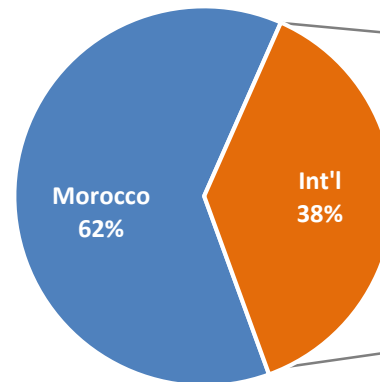


International

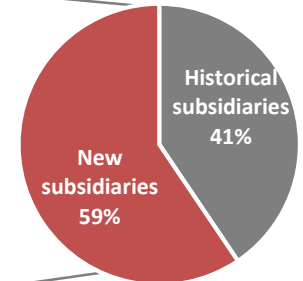


CAPEX Breakdown Q3 2019

Domestic vs. Int'l

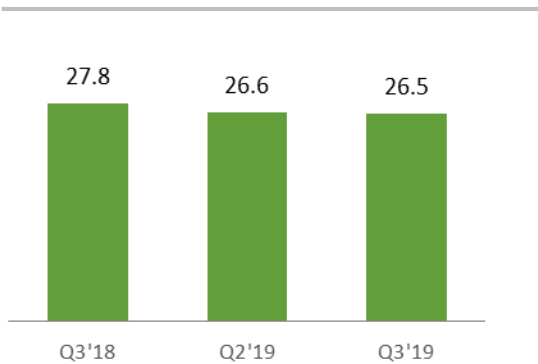


International



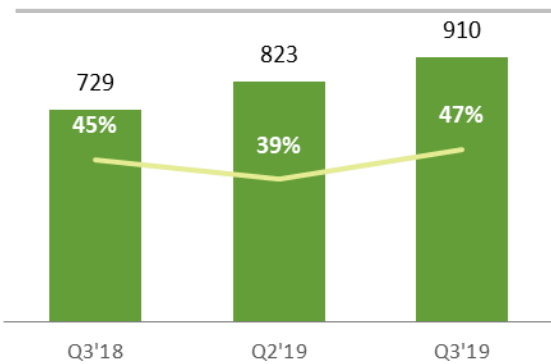
# EGYPT: DOUBLE DIGIT GROWTH IN REVENUE & EBITDA

Subscribers<sup>(1)</sup> (m)



Y/Y % growth

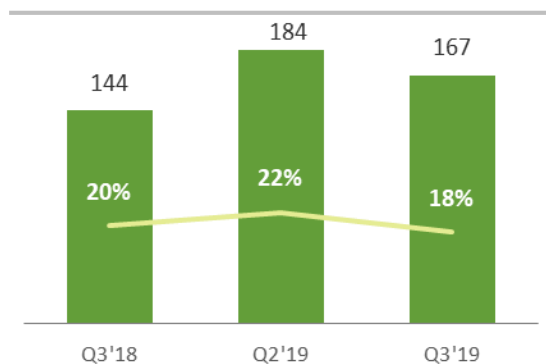
Revenue (AED m) / EBITDA



+18%      +21%      +25%

EBITDA %

CAPEX (AED m) & CAPEX/Revenue (%)



CAPEX/Revenue

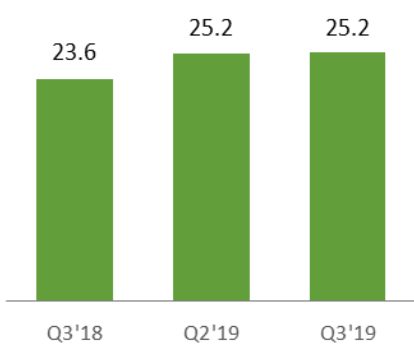
## HIGHLIGHTS

- Regulatory restrictions continue to negatively impact customer acquisitions
- Y/Y revenue growth across all segments
- Y/Y EBITDA growth with improvement in margin attributed to higher revenue and one-off settlement with other MNOs
- Capital spending increased and focused on 4G deployment and enhancement of network capacity

(1) Subscribers figures are restated to fully align with Etisalat Group definition based on 90 days active

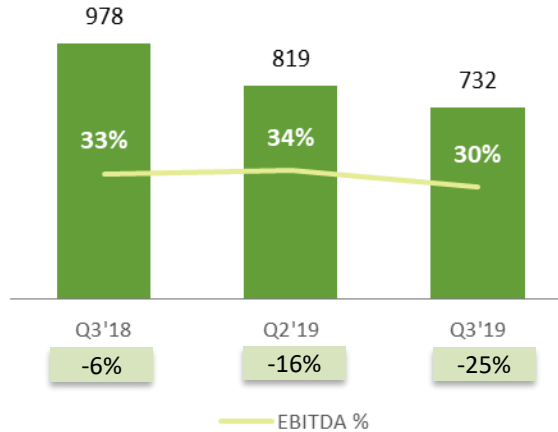
# PAKISTAN: INVESTING IN FIXED BROADBAND AND MOBILE NETWORKS

Subscribers (m)

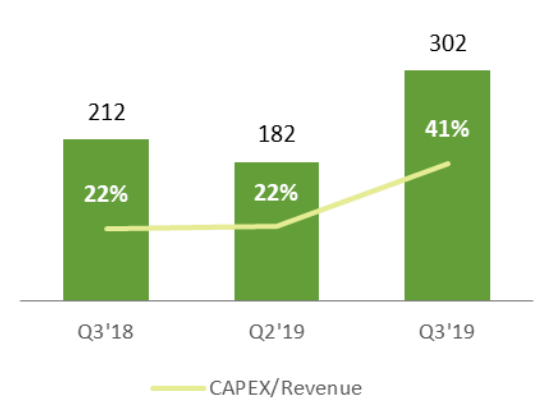


Y/Y % growth

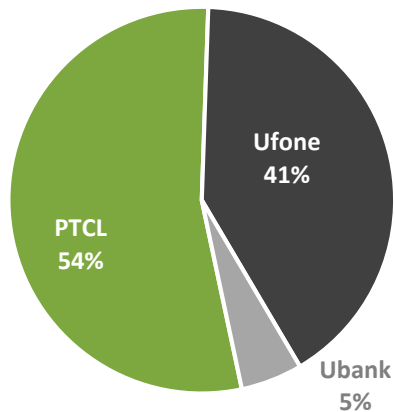
Revenue (AED m) / EBITDA Margin



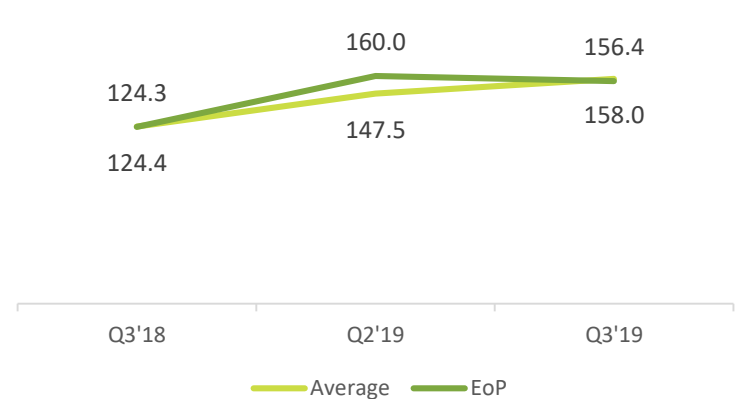
CAPEX (AED m) & CAPEX/Revenue Ratio (%)



REVENUE BREAKDOWN Q3 2019



USD / PKR FX Rate (PKR)



## 2019 ACTUAL AGAINST GUIDANCE: IMPROVING PROFITABILITY AND FREE CASHFLOW GUIDANCE

Financial KPI	Guidance 2019 in AED	1 <sup>st</sup> Guidance Revision 2019 in AED	2 <sup>nd</sup> Guidance Revision 2019 in AED	Actual 9M 2019 in AED
Revenue Growth %	Slightly lower	Around -1.0%	Around -1.0%	-1.3%
EBITDA Margin%	48% - 49%	49.5% - 50.5%	50% - 51%	51.7%
EPS <sup>(1)</sup> (AED)	0.99 – 1.02	1.00 – 1.02	1.00 – 1.02	0.77
CAPEX / Revenue %	18% - 19%	16% - 17%	15% - 16%	12.6%

(1) EPS guidance excludes the impact of a potential share buyback

**Etisalat's** financial and corporate  
information **in one click**

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