

# Q2 2014 Results

Emirates Integrated Telecommunications Company PJSC

July 2014



# Disclaimer

- Emirates Integrated Telecommunications Company PJSC (hereafter "du") is a telecommunication services provider in the UAE.
- du cautions investors that certain statements contained within this document state management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements.
- Management wishes to caution the reader that forward-looking statements are not historical facts and are only estimates or predictions. Actual results may differ materially from those projected as a result of risks and uncertainties, but are not limited to:
  - Our ability to manage domestic and international growth and maintain a high level of customer service
  - Future sales growth
  - Market acceptance of our product and service offerings
  - Our ability to secure adequate financing or equity to fund our operations
  - Network expansion
  - Performance of our network and equipment
  - Our ability to enter into strategic alliances or transactions
  - Co-operation by the incumbent in provisioning lines and enabling us to interconnect our equipment at the local exchange
  - Regulatory approval processes
  - Changes in technology
  - Price competition
  - Other market conditions and associated risks
- The company undertakes no obligation to update publicly any forward-looking statements, whether as a result of future events, new information, or otherwise.
- For further information about the company, or material contained within this forward looking statement, please direct your enquiries to our Investor Relations team by email at [investor.relations@du.ae](mailto:investor.relations@du.ae) or by telephone on +971 4 434 5101.



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# Q2 Financial Highlights

## Total Revenue (AED M)

+13.7%

2,660 → 3,024

Q2 2013      Q2 2014

## EBITDA (AED M)

+17.9%

1,094 → 1,290

Q2 2013      Q2 2014

## Net Profit before Royalty (AED M)

+22.0%

778 → 949

Q2 2013      Q2 2014

## Free Cash Flow (AED M)

-215.3%

(106) → (333)

Q2 2013      Q2 2014

## Mobile 90-day active subscribers (000s)

+7.6%

6,654 → 7,161

Q2 2013      Q2 2014

### Healthy revenue growth

- All segments showing healthy growth in revenue
- Mobile service data revenues continues to grow at 18.6% in Q2 2014 from Q2 2013

### Positive EBITDA

- Favourable improvement in operating expenses as a % of revenue from 26.3% in Q2 2013 to 23.9% in Q2 2014 through efficiency achieved in various parts of the business as well as the favorable settlements of prior year provisions

### Strong net profit

- Continued growth in net profit after solid start in 2014

### Scheduled payments made

- Royalty payment of AED 1.1 billion made in Q2 2014 AED 0.8 billion in Q2 2013
- TRA payment also made in Q2 2014 for AED 231m

### Mobile subscribers steady increase

- Total mobile subscriber base grew to 7.1 million mobile customers
- My Number My Identity deadline during Q2 2014 resulted in churn of 468K active subscribers in line with TRA regulations



# 6 months Financial Highlights

**Total Revenue**  
(AED M)

+13.1%

5,287

5,979

6 mo 2013    6 mo 2014

**EBITDA**  
(AED M)

+15.2%

2,147

2,473

6 mo 2013    6 mo 2014

**Net Profit before  
Royalty** (AED M)

+18.6%

1,530

1,814

6 mo 2013    6 mo 2014

**Free Cash Flow**  
(AED M)

-63.8%

444

161

6 mo 2013    6 mo 2014

**Mobile 90-day active  
subscribers**  
(000s)

+7.6%

6,654

7,161

6 mo 2013    6 mo 2014

## Healthy revenue growth

- All segments showing healthy growth in revenue
- Mobile service data revenues continues to grow at 19.9% in H1 2014 from H1 2013

## Positive EBITDA

- Operating expenses as a % of revenue dropping from 26.4% in H1 2013 to 24.3% in H1 2014 through efficiency achieved in various parts of the business

## Strong net profit

- Continued growth in net profit after solid start in 2014

## Scheduled payments made

- Royalty payment of AED 1.1 billion made in Q2 2014 AED 0.8 billion in Q2 2013

## Mobile subscribers steady increase

- Total mobile subscriber base grew to 7.1 million mobile customers
- My Number My Identity deadline resulted in 468K churn in line with TRA regulations



# Progressive Dividend Payment

## Proposed dividend payment\*

AED per share	Q2 2013	Q2 2014
Special Dividend (one-off payment)	0.10	-
Interim Dividend	0.12	0.12
Total	0.22	0.12

### Sustained focus on creating shareholder value

- Proposed return of AED 549 million to shareholders, subject to OGM approval
- Du commenced an interim dividend programme from Q2 2013

\*An Ordinary General Meeting will be held on 25<sup>th</sup> August To approve the proposed dividend payment. The company will send an official notification to shareholders prior to the OGM date



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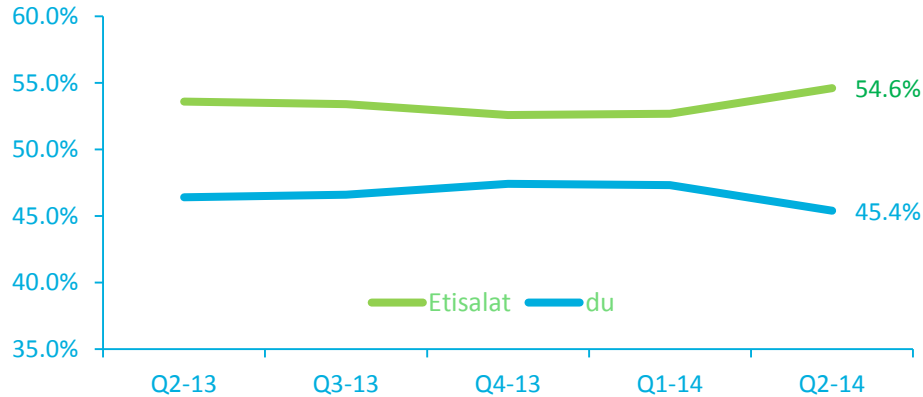
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# Market Overview

Market share consolidation – increasing emphasis on growing revenue share

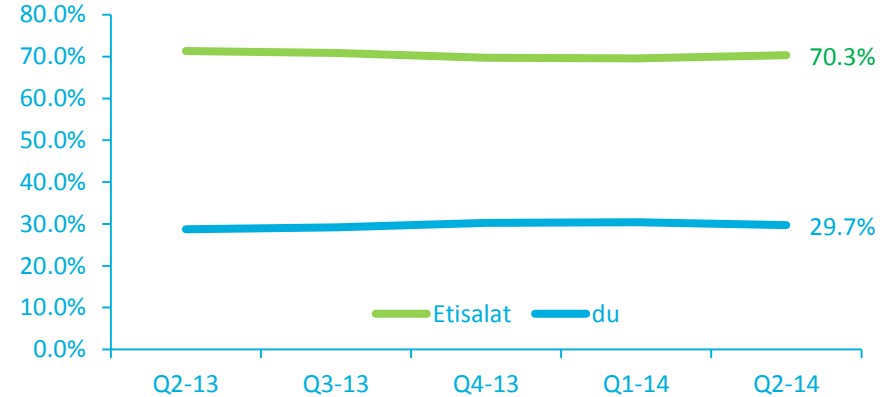
## UAE Mobile Subscribers - Market share quarterly evolution\*



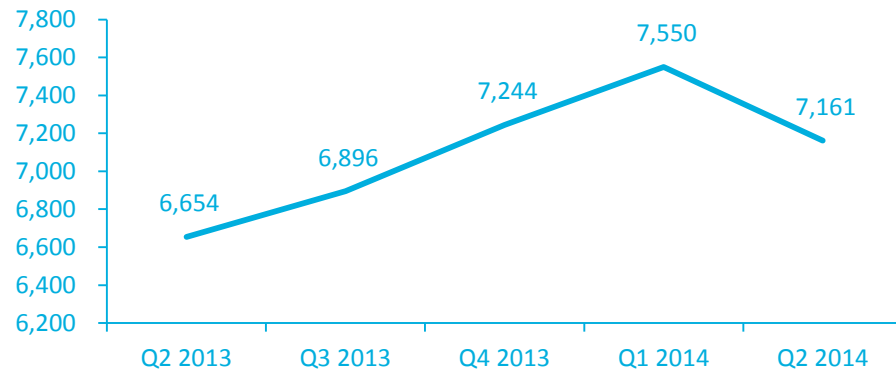
Source: TRA Market Statistics January 2014, Internal estimates, Etisalat Quarterly/ annual financial reports

\* Etisalat subscribers are estimates

## UAE Telecom Market - Revenue share quarterly evolution



## du Mobile Subscribers – Active 90 Days (000s)



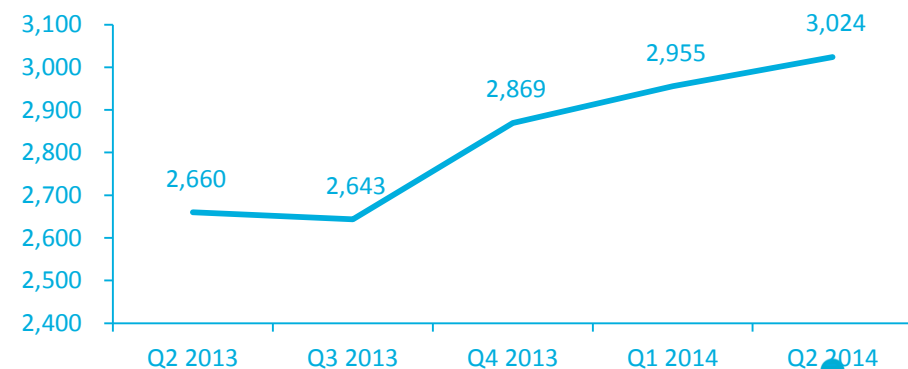
(2013 e)



UAE

- Population: 8.3 million
- Population growth: 3%
- GDP: US\$ 396 b
- GDP per capita: US\$ 43,876

## du Total Revenues (AED M)



(Source: TRA – January 2014, UAE's National Bureau of Statistics (NBS), IMF: World Economic Outlook April 2014, Internal estimates)

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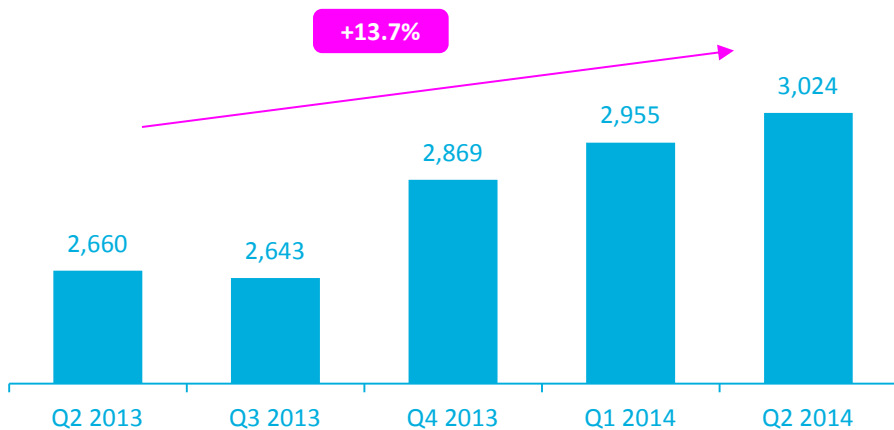
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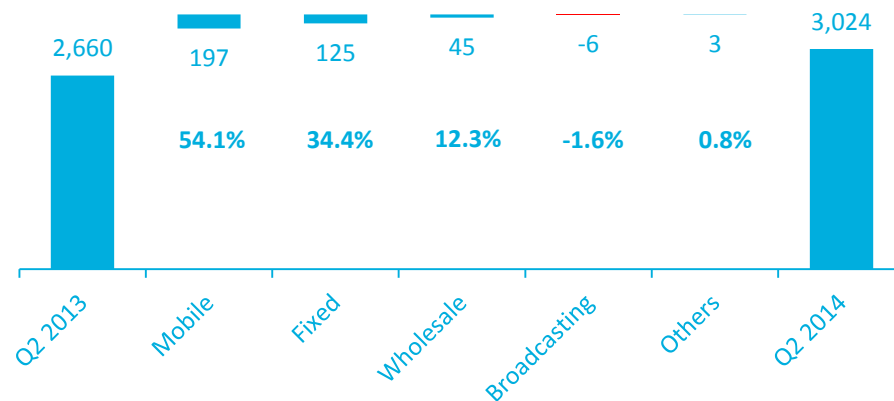
# Total Revenues

Mobile and Fixed revenues contributing to growth in revenue

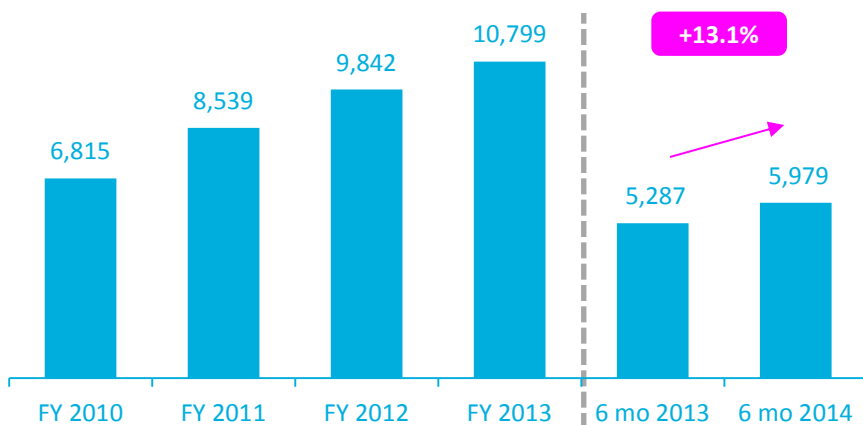
Quarterly Revenue (AED M)



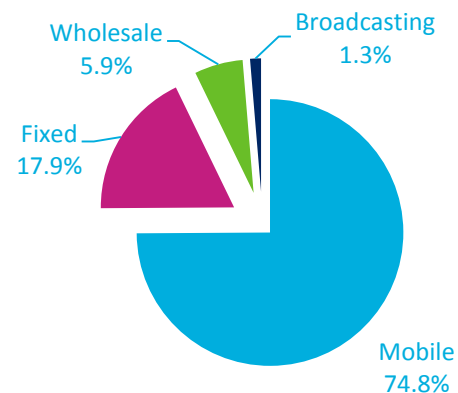
Like for Like Revenue Breakdown Quarter Change (AED M)



Yearly Revenue (AED M)



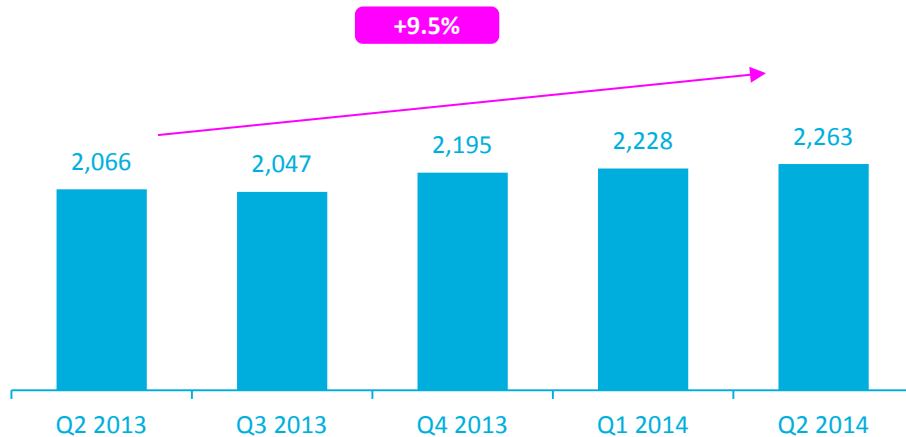
Revenue Split Q2 2014



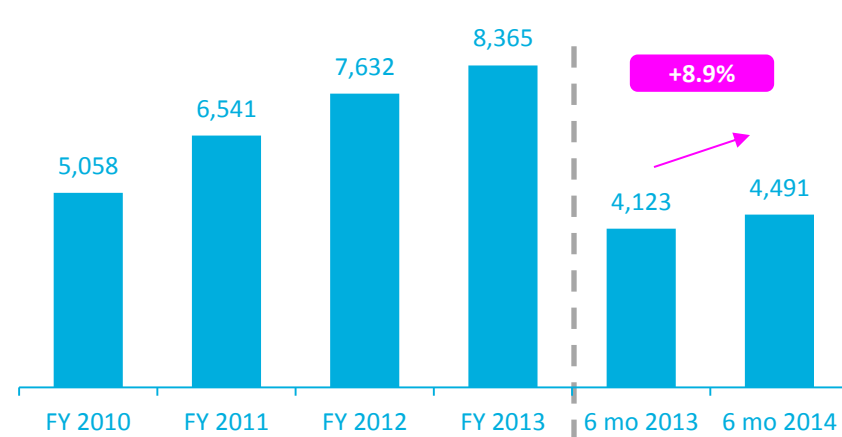
# Revenue Drivers - Mobile

Consistent growth in mobile despite deactivated subscribers due to , My Number My Identity

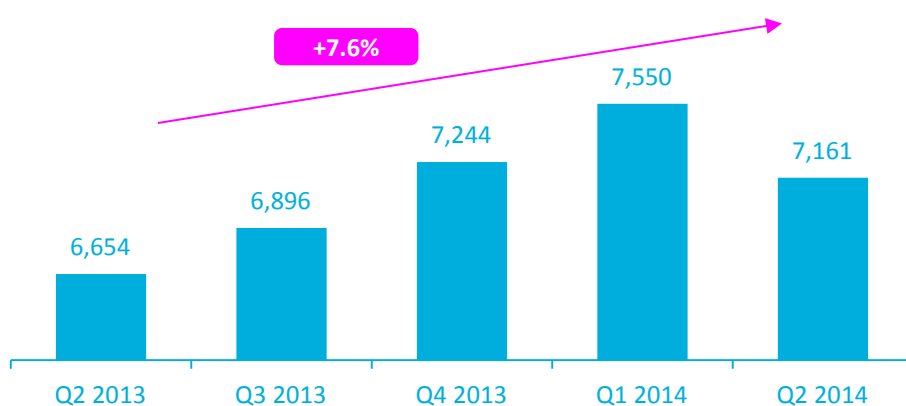
## Quarterly Mobile Revenues (AED M)



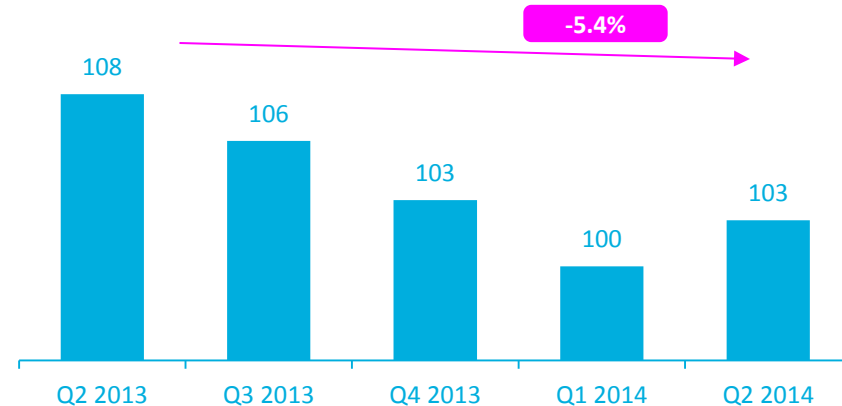
## Yearly Mobile Revenues (AED M)



## Mobile Subscribers Active 90 Days ('000)



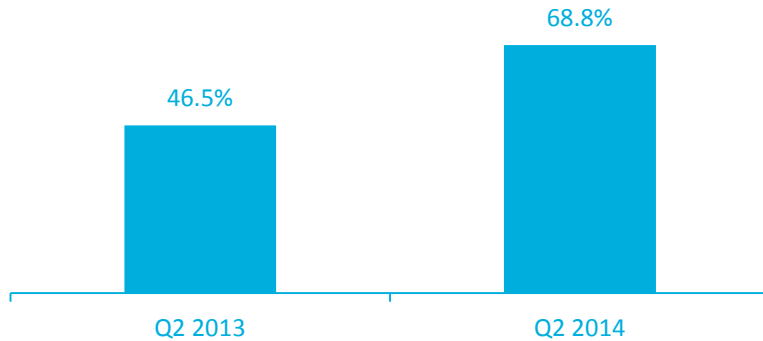
## Quarterly Mobile ARPU (AED)



# Revenue Drivers – Mobile

Post-paid continues to be a focus for growth

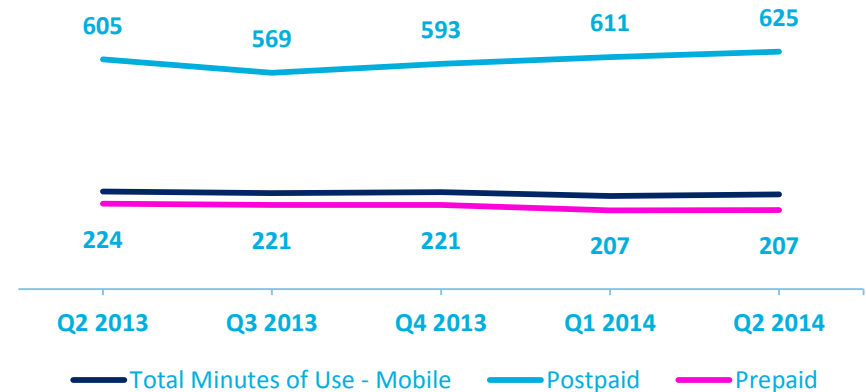
**Postpaid contribution to growth Y on Y to mobile revenues**  
(excluding inbound roaming and handset revenue)



## Focus on post-paid customers

- Continued strategy focus on post-paid customers drove contribution of postpaid revenue to the total mobile revenue growth up from 46.5% in Q2 2013 to 68.8% in Q2 2014

## Quarterly Minutes of Use by Customer Segment



## Overall minutes of use stable

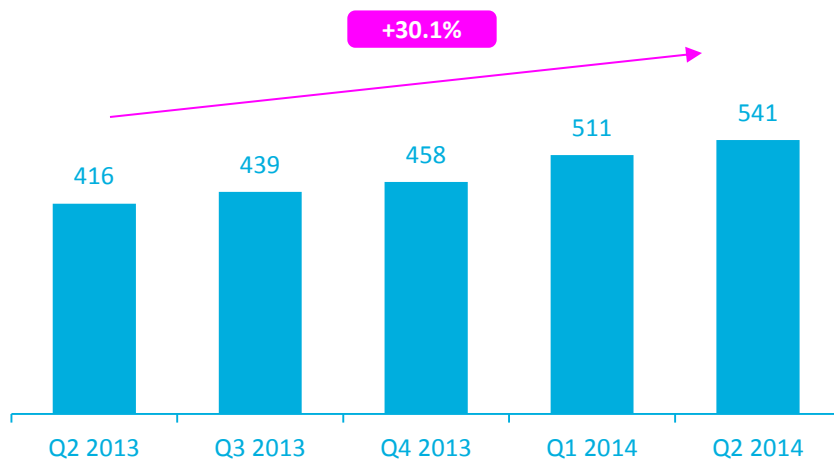
- Increased emphasis on high value customers, usage among postpaid users increased to 625 minutes per subscriber from 605 in Q2 2013
- Prepaid minutes of use per subscriber maintained at 207 minutes per subscriber



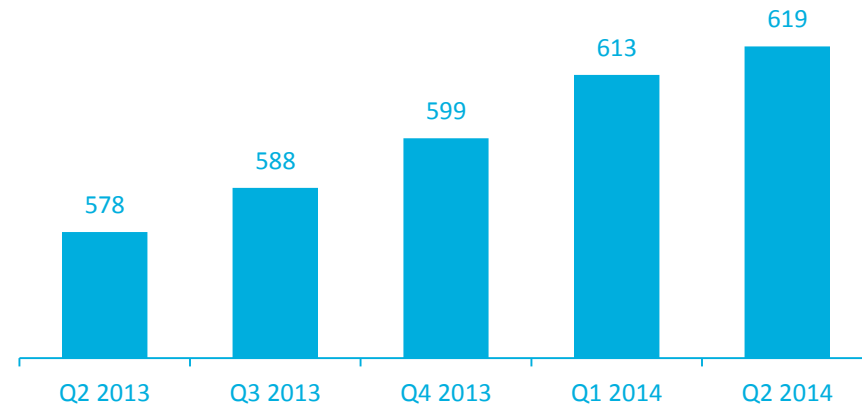
# Revenue Drivers – Fixed

Strong growth in overall fixed business

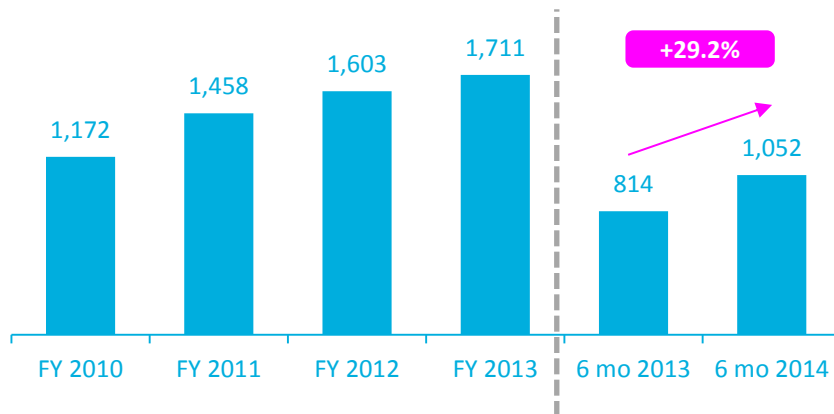
## Quarterly Fixed Revenue (AED M)



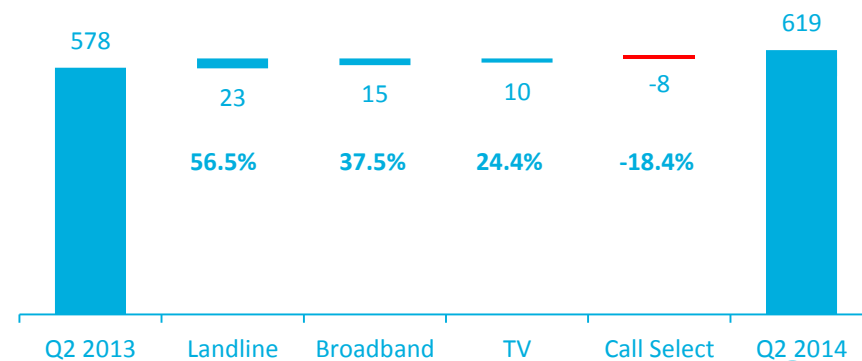
## Quarterly Fixed Line Subscribers ('000)



## Yearly Fixed Revenue (AED M)



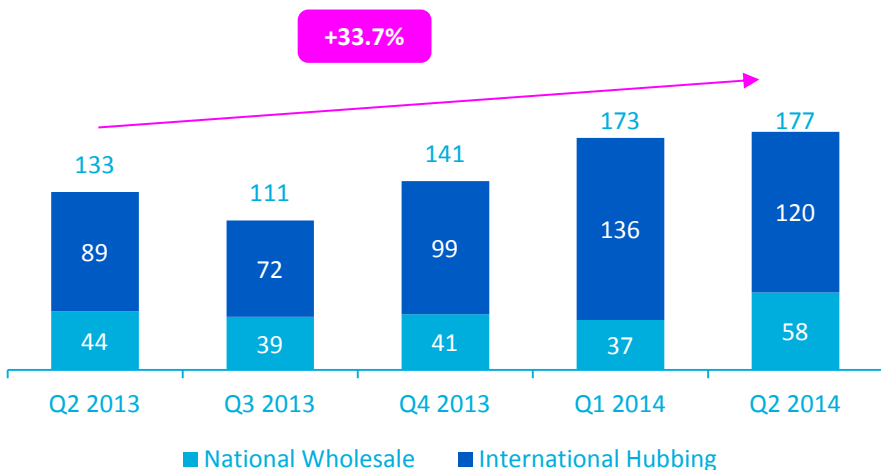
## Fixed Line Subscriber Breakdown Quarter Change ('000)



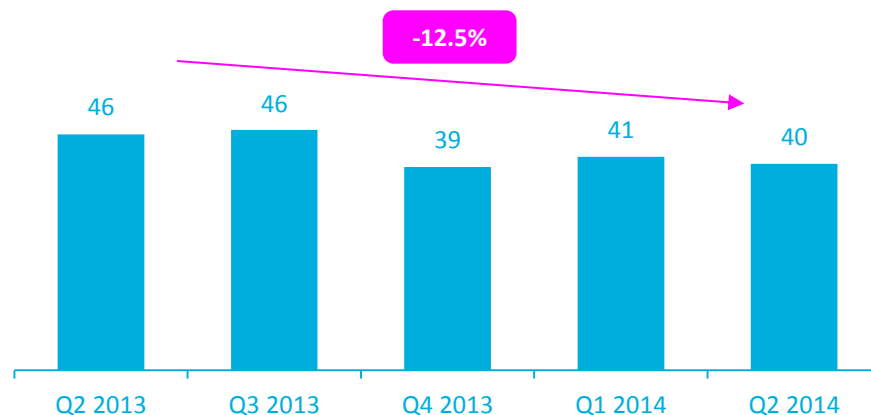
# Revenue Drivers – Broadcast & Wholesale

Strong growth in wholesale driven by international hubbing

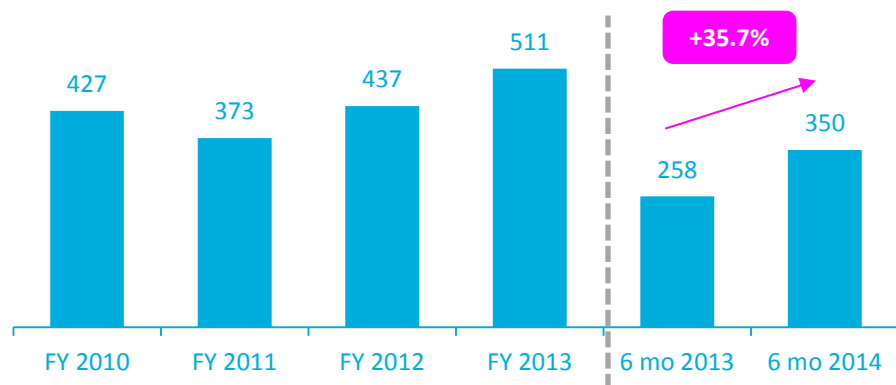
## Quarterly Wholesale Revenues (AED M)



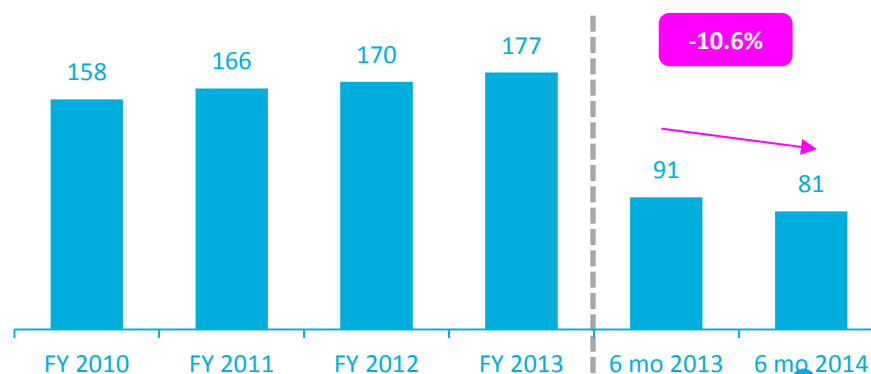
## Quarterly Broadcast Revenues (AED M)



## Yearly Wholesale Revenues (AED M)



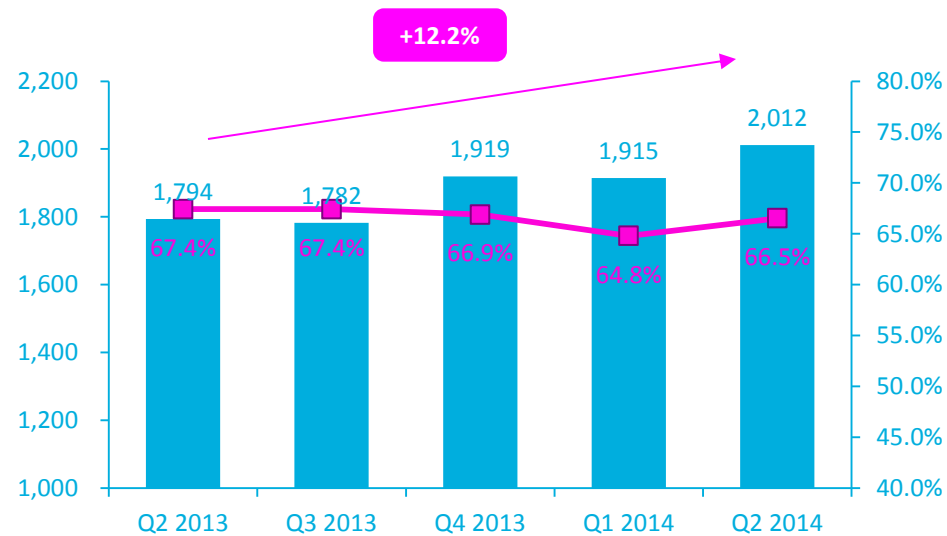
## Yearly Broadcast Revenues (AED M)



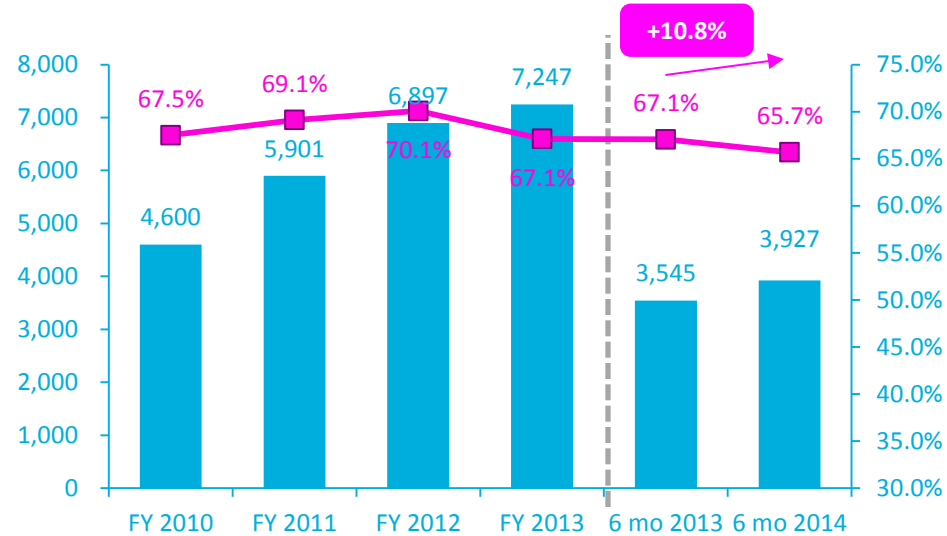
# Gross Margin

Steady gross margin performance

Quarterly Gross Margin (AED M) and Gross Margin %



Yearly Gross Margin (AED M) and Gross Margin %



## Strong growth in gross margin

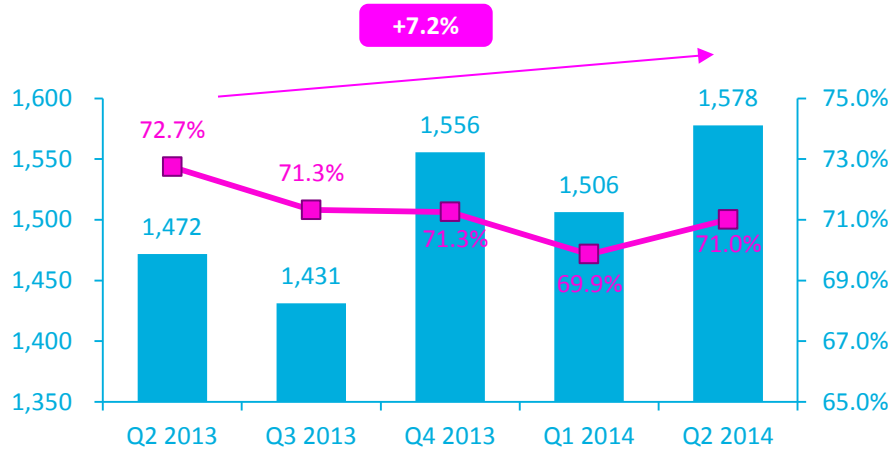
- Quarterly gross margin saw a 12.2% increase from Q2 2013
- Gross margin % decreased by 1.4% due to a change in the mix of revenues in comparison with the same period last year. However, absolute gross margin saw strong double digit growth



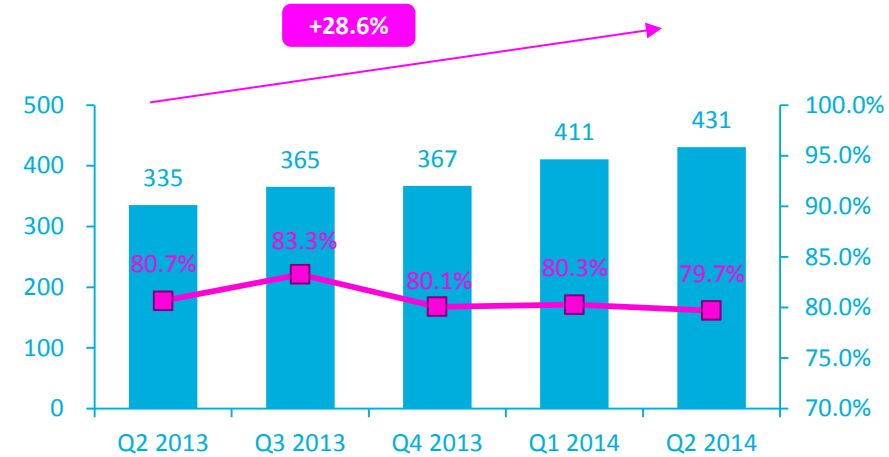
# Gross Margin – Breakdown by Segment

Strong growth in mobile, fixed and wholesale business

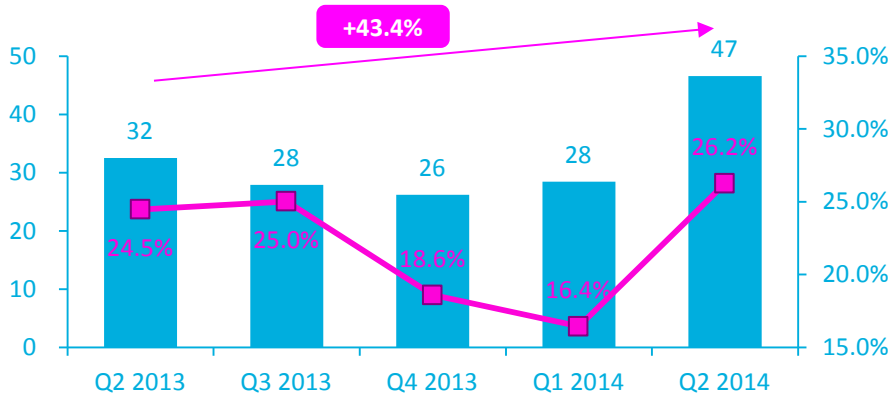
## Quarterly Mobile Gross Margin (AED M)



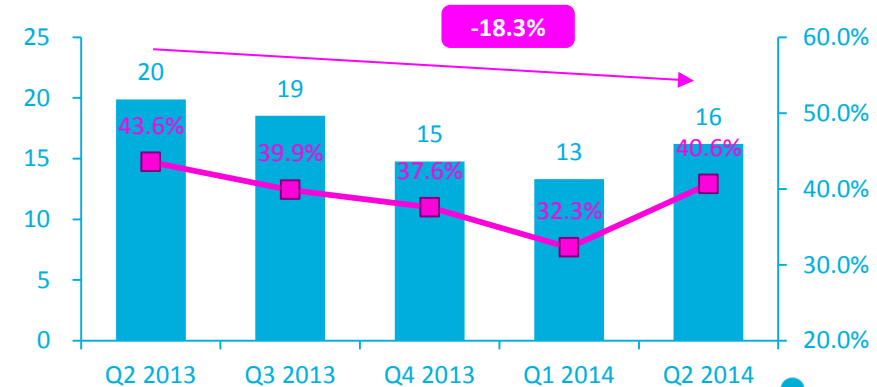
## Quarterly Fixed Gross Margin (AED M)



## Quarterly Wholesale Gross Margin (AED M)\*



## Quarterly Broadcasting Gross Margin (AED M)



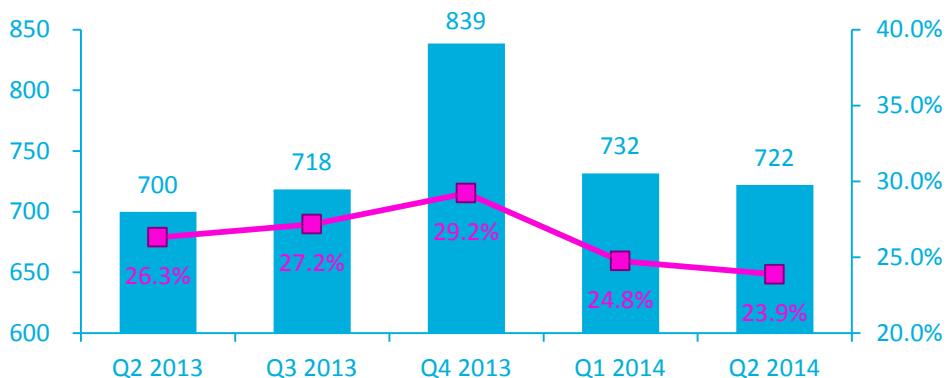
\*AED 10m reclassification from Mobile to Wholesale business



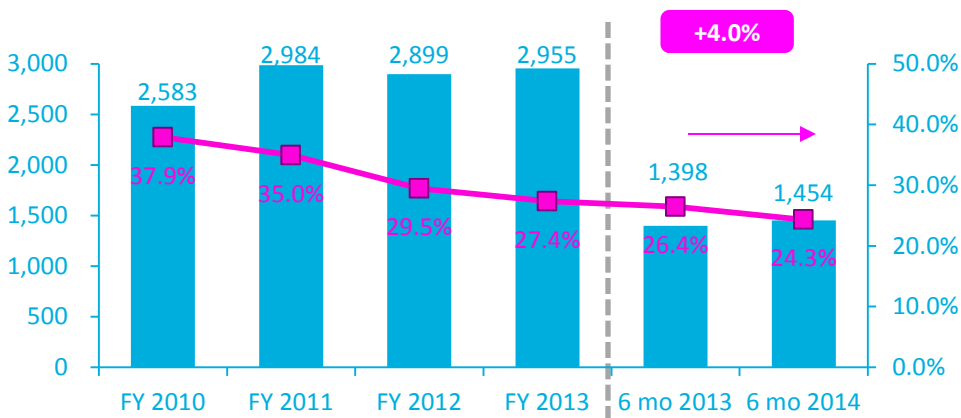
# Overheads

Continuing improvement in operational efficiencies

Quarterly Overheads (AED M)



Yearly Overheads (AED M)



Overheads as a % of Revenue	6 mo 2013	6 mo 2014
Manpower	12.3%	11.4%
Teleco license & related fees	2.5%	2.6%
Sales & marketing	2.3%	2.2%
Bad debts	0.3%	0.5%
Network operations & maintenance	7.1%	6.3%
Rent & utilities	1.0%	0.6%
Miscellaneous	0.8%	0.8%
<b>Total Overheads as % of Revenue</b>	<b>26.4%</b>	<b>24.3%</b>

## Strategy focus on improving operational efficiencies

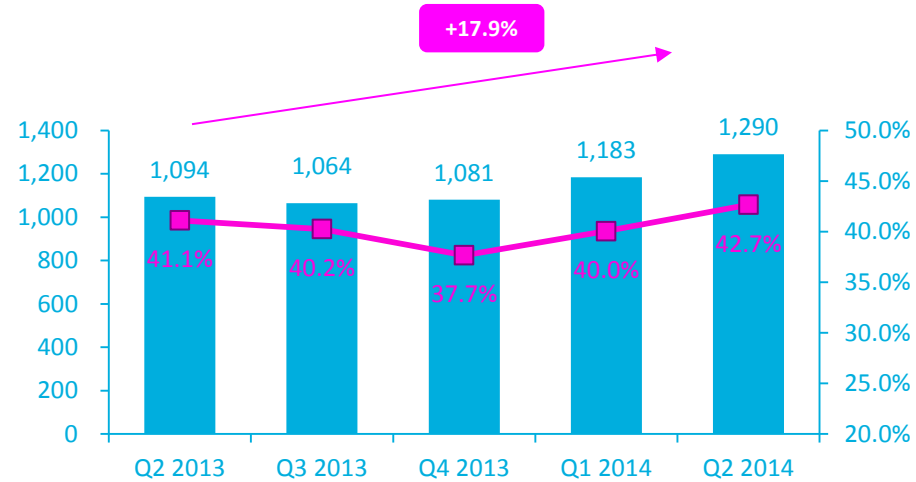
- Overhead savings coming from manpower cost due to efficiency in different areas of business



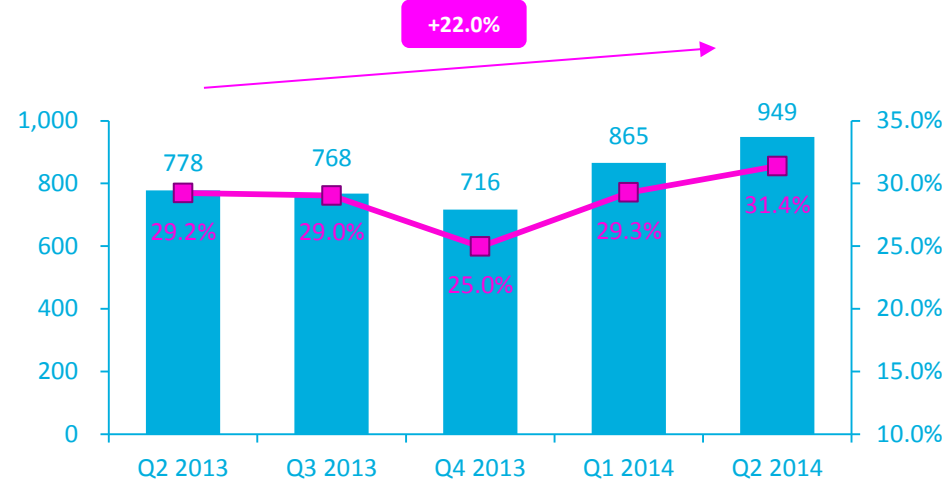
# Profitability

Solid performance with significant growth of 22% on Net Profit before Royalty

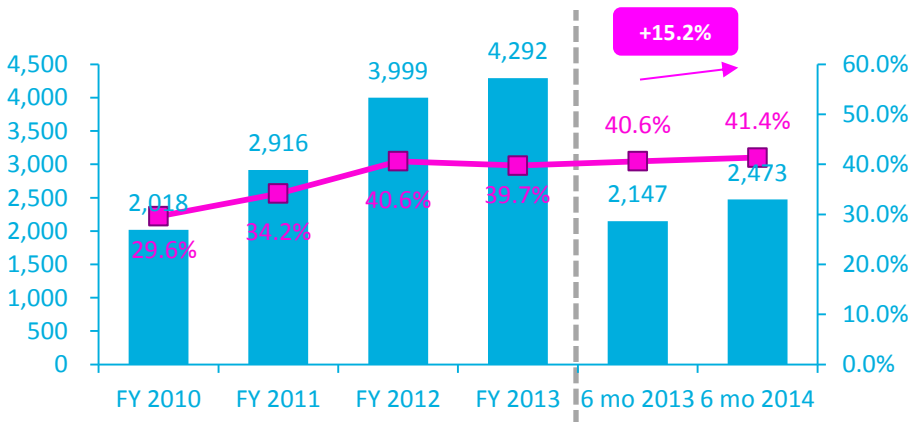
## Quarterly EBITDA (AED M)



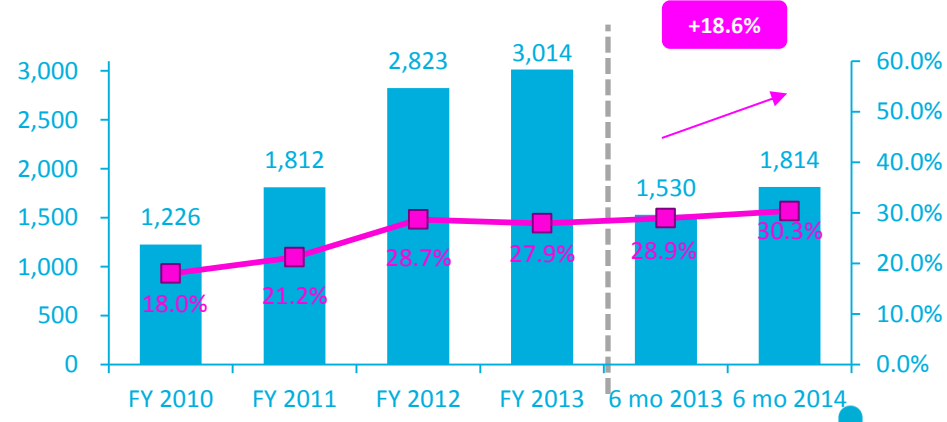
## Quarterly Net Profit before Royalty (AED M)



## Yearly EBITDA (AED M)



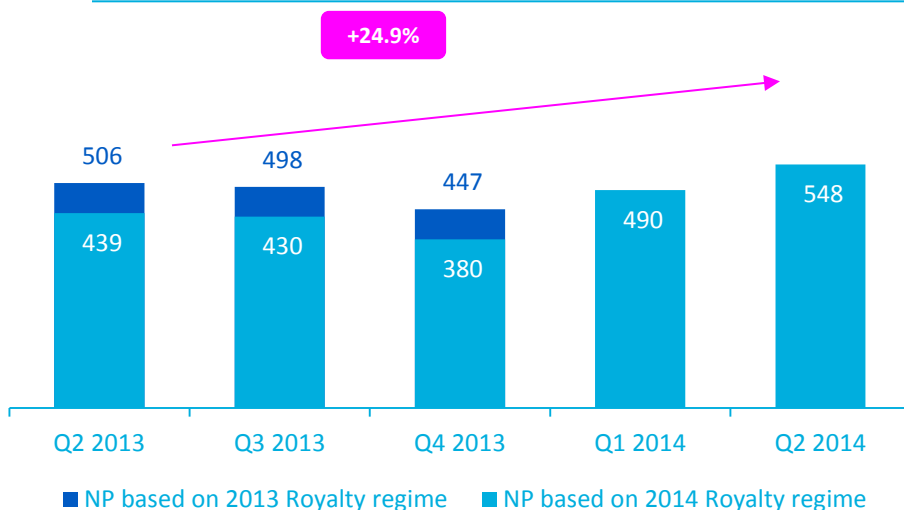
## Yearly Net Profit before Royalty (AED M)



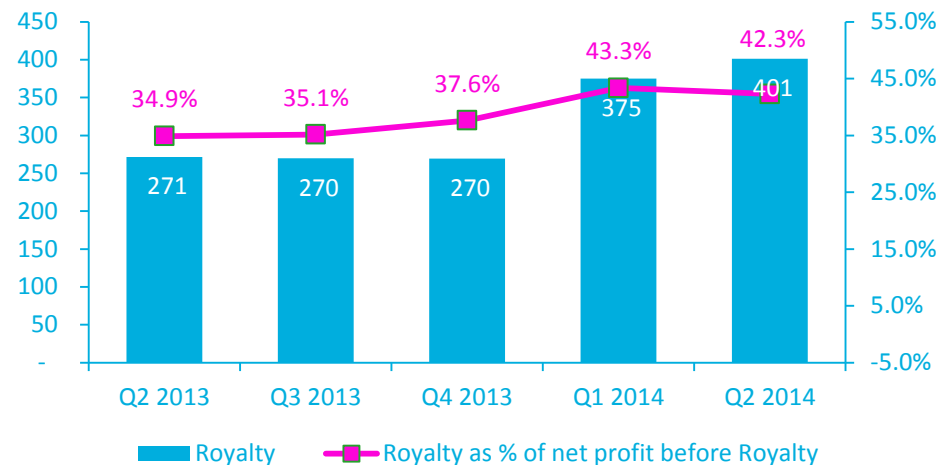
# Net Profit after Royalty

Impact of royalty regime between 2013 and 2014 normalised for comparison purposes

Quarterly Net Profit after Royalty (AED M)



Quarterly Royalty Compared (AED M)\*



## Royalty Methodology Compared

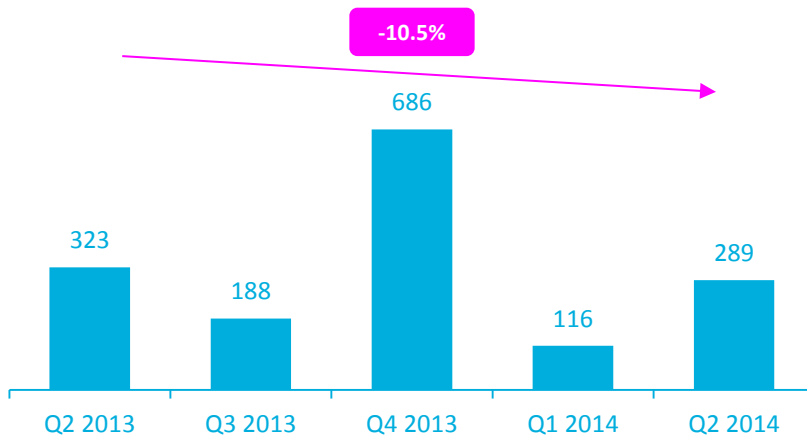
Royalty	2013	2014	2015	2016
Royalty rate on Regulated Revenue	7.50%	10.00%	12.50%	15.00%
Royalty rate on Net Profit	20.00%	25.00%	30.00%	30.00%



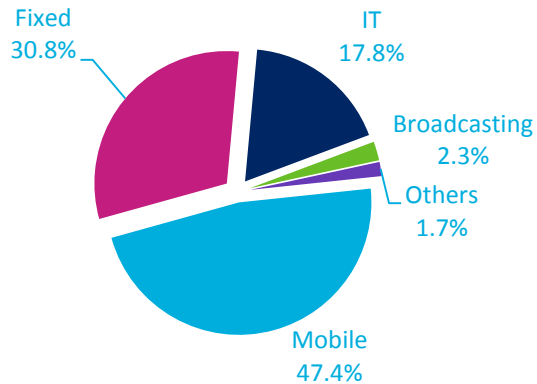
\*2013 Royalty normalized for 2012 adjustment

# Capital Investments

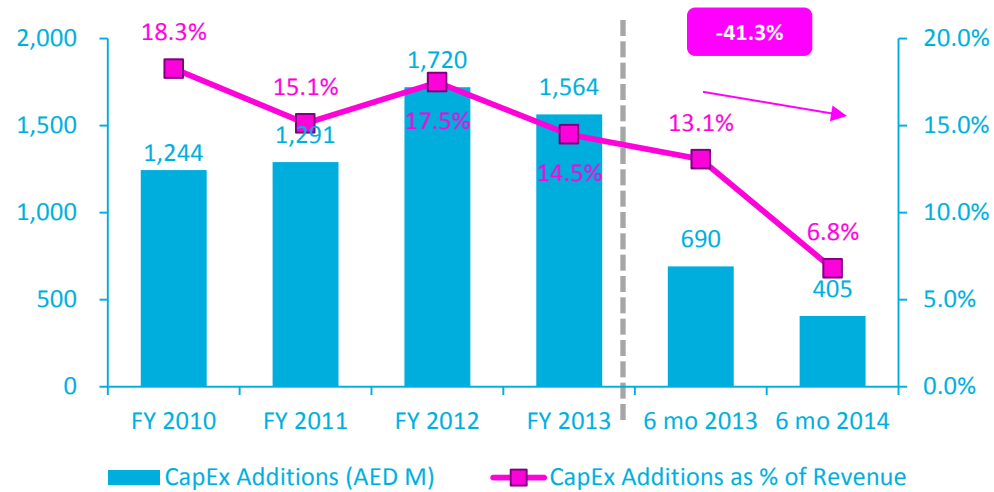
## Quarterly CapEx Additions (AED M)



## Q2 2014 CapEx Spend by Segment



## Year to Date CapEx Additions (AED M)



## Focus to further improve key infrastructure

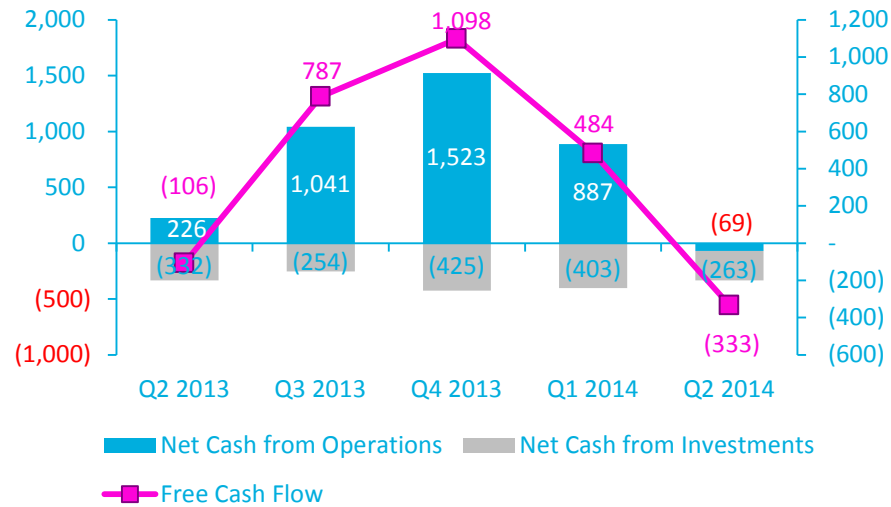
- CapEx spend for Q2 2014 at AED 289m in comparison with AED 323m in Q2 2013. Due to seasonality of the projects the CapEx spend expected to increase in the remainder of the year
- For the remainder of 2014, CapEx will further focus on the mobile 3G and LTE rollout including improvements to the products and services to enhance customer experience
- Investment in new innovative services for our consumer and enterprise customers key priority going forward



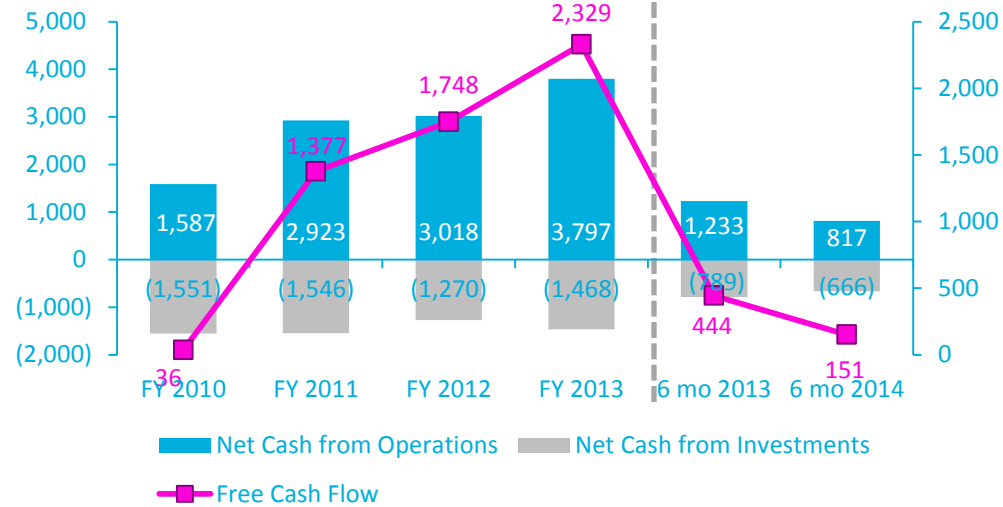
# Cash & Debt Overview

Royalty and TRA payments made in Q2 2014

## Quarterly Free Cash Flow (AED M)



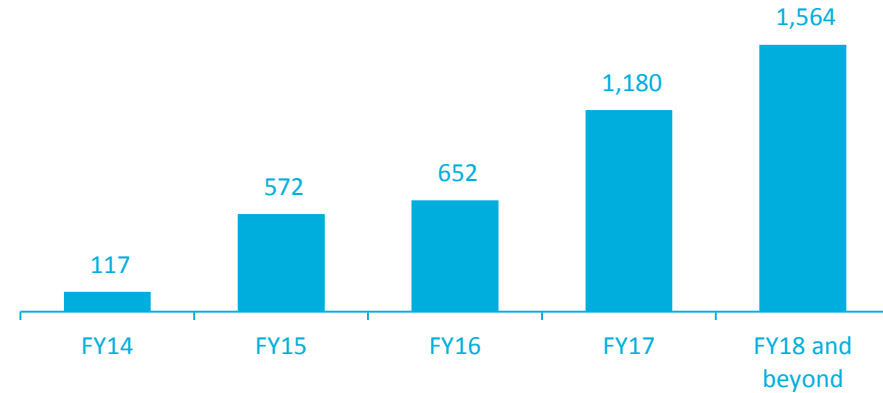
## Year to Date Free Cash Flow (AED M)



## Bank Facilities

Loan Sources (AED Millions)	Available	Drawn
ECA - NSN Nordea	110	110
ECA - NSN KFW	359	359
Vendor - CISCO Capital	43	43
DBS - Bilateral Loan	551	445
SCB-Bilateral Loan	1102	483
Club Facility - Long Term Loan	2645	2645
<b>TOTAL DEBT FACILITIES</b>	<b>4,810</b>	<b>4,085</b>
<b>TOTAL CASH IN HAND</b>		<b>4,243</b>

## Debt Maturity Profile (AED M)



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# Strategy and Outlook

## Efficiency and value creation: Positioning the company for success in a continually evolving telecommunications market

- Focus on profitable growth and increased value share
- Increase focus on mobile data and bundled offerings supported by continued emphasis on data network investments
- Provide seamless, superior and segmented customer experience
- Sustained investment in our capabilities to maintain a strong performance and position the company for future growth
- Maximize return on investments and cash flow generation for our shareholders



# Q&A



وتحيا بها الحياة  
add life to life

