

# FY 2013 Results

Emirates Integrated Telecommunications Company PJSC

February 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.



# Contents



	Slide
Highlights of the Full Year Results	4
Market Information	8
Financial Summary	10
Strategy and Outlook	23

# 2013 Year In Review

## Seventh year of strong performance across all areas of the business

- **Positive growth trend for Revenue**
  - Achieved 9.7% like for like revenue growth in 2013, up to AED 10.80 billion
  - 7.3% year on year growth in EBITDA, increasing to AED 4.29 billion
  - 6.7% increase in Net Profit before royalty to AED 3.01billion
    - 2013 royalty rose to AED 183.5 million which led to Net Profit after royalty of AED 1.99 billion
- **Growing contribution from mobile revenues, due to focus on data usage and high-value post-paid customers**
- Data usage increased to 27.7% as a percentage of total mobile service revenue in 2013
  - Strong customer additions pushed up mobile revenues by 9.6% to reach AED 8.37billion

## Focus on delivering optimal customer experience

- Significantly enhanced end-to-end customer experience by reducing complexity across services and products

## Continued development of our people

- Emiratization reached of 34% our total workforce compared to 31% in 2012
- Supporting success through talent development initiatives

## Enhanced shareholder value

- Proposed second dividend payment of AED 0.19 per share, bringing total annual dividend payment to AED 0.31 per share
- Maximised returns for shareholders with optimised operational efficiencies, infrastructure investment and cash flow generation

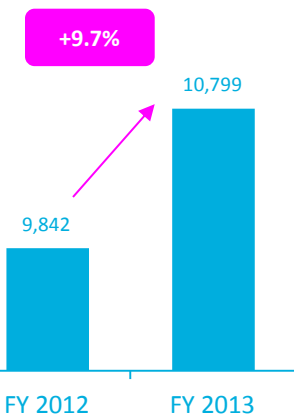
## Investing in the future of our business

- Free Cash Flow was extremely positive in 2013, ending the year with AED 2.33 billion, up from AED 1.75 billion in 2012 to account for upcoming due payments
- Reorganisation of the business into two distinctive divisions: Consumer and Enterprise
- Restructure of the engineering division to improve product development
- Invested in infrastructure; cemented Managed Services agreements, outsourcing non-core IT and network activities to optimise operational efficiencies
- Purchase of a 10% stake in Khazna Data Centre to better serve our Enterprise customers and aide ICT industry-related diversification
- Further initiative in drive towards UAE's Smart Government and Dubai's Smart City.

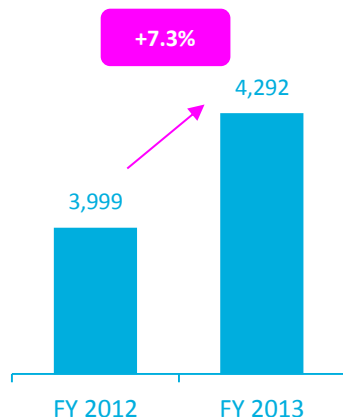


# Full Year Financial Highlights

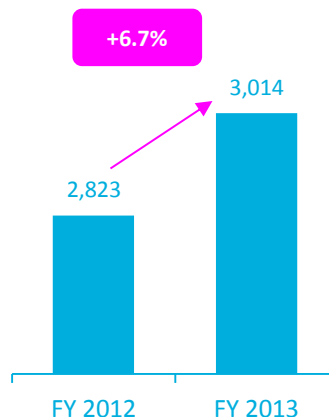
**Total Revenue**  
(AED M)



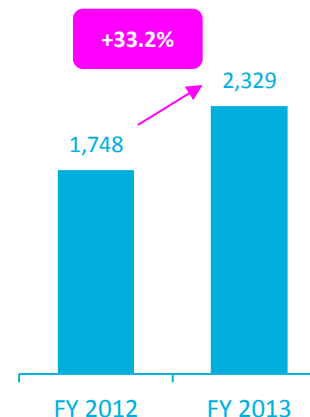
**EBITDA**  
(AED M)



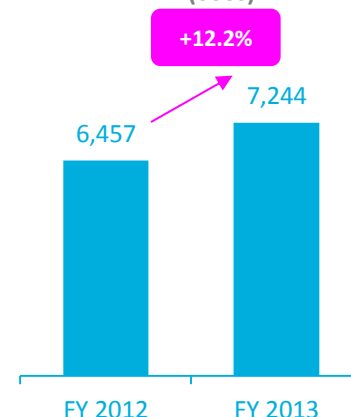
**Net Profit before  
Royalty** (AED M)



**Free Cash Flow**  
(AED M)



**Mobile Customers  
90 Day Active Subs**  
(000s)



## Strong revenue growth

- Revenues for the year grew 9.7% to AED 10.80 billion
- A strong performance was posted across all areas of the business year on year
- Continued strong growth in mobile subscriber base led to healthy growth in mobile revenue
- Data revenues increased from 22.6% to 27.7% of total mobile service revenues

## Solid EBITDA performance

- EBITDA for the year grew by 7.3%, reaching AED 4.29 billion
- As a result of efficiency programs operating expenses as a percentage to revenue was reduced from 29.5% to 27.4%

## Maintained profitability

- 6.7% increase in net profit before royalty for the year
- Due to progressively higher rates of royalty the effective royalty rate increased from 29.9% in 2012 to 34.1% in 2013
- Net profit after royalty up to AED 1.99 billion in 2013 from AED 1.98 billion despite AED 183 million increase in royalty

## Healthy free cash flow

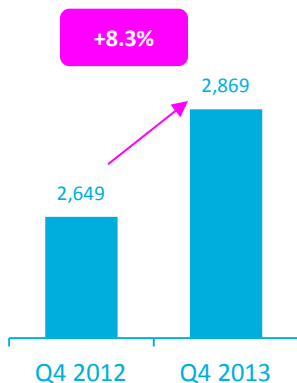
- Free cash flow increased 33.2% to AED 2.33 billion, a strong demonstration of the company's ability to generate cash

## Focus on high value customers

- Mobile post-paid customers increased from 7.9% in 2012 to 9.2% of total mobile customer base during 2013 due to high-end offerings

# Q4 Financial Highlights

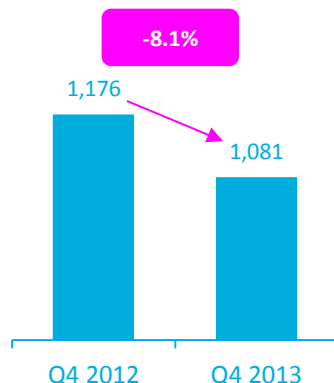
## Total Revenue (AED M)



### Healthy revenues

- Like for like revenues grew 8.3% year on year to AED 2.87 billion
- Quarter on quarter growth reached 8.6%, positively impacted by an increase in minutes of use and data revenue
- Data revenues increased from 24.2% to 29.5% of total mobile service revenue quarter on quarter

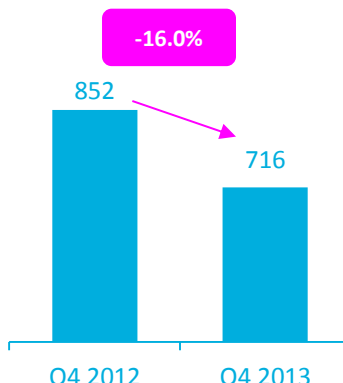
## EBITDA (AED M)



### EBITDA down

- Q-4 witnessed effective price drop on international calling due to offers launched in the market by the competition and du. This had an approximate negative impact of AED 80m (2.9% points) in Q-4.
- Higher overheads due to capacity costs and one-off marketing spend of AED 23 million on the MNP campaign also impacted EBITDA margin

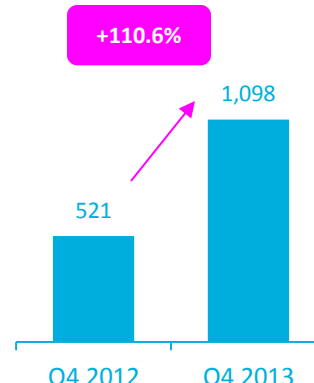
## Net Profit before Royalty (AED M)



### Net profit lowered

- Net profit before royalty decreased due to the effects on EBITDA
- Higher depreciation and provision for impairment of assets also impacting the net profit before royalty
- Agreement with Federal Government in November 2013 for 2012 royalty refund of AED 42m plus a one-off correction of year to date royalty provisions of AED 6 million

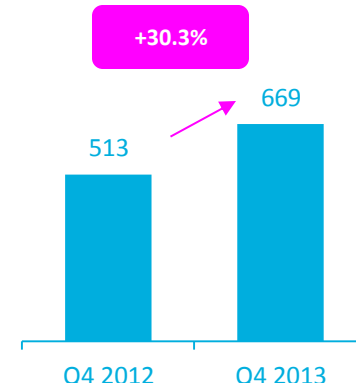
## Free Cash Flow Quarterly (AED M)



### Significant positive FCF

- Free cash flow doubled to AED 1.10 billion, up 110.6% on the same period in 2012
- The phasing of CapEx during the year and working capital efficiency resulted in positive FCF
- The royalty refund also positively affected the growth in FCF during the quarter

## Post-paid Customers (000s)



### Strong post-paid customer base

- The total mobile customer base grew by 348k new additions during the quarter, reaching a total of 7.2 million mobile customers
- Post-paid subs continued its quarterly growth trend

# Contents

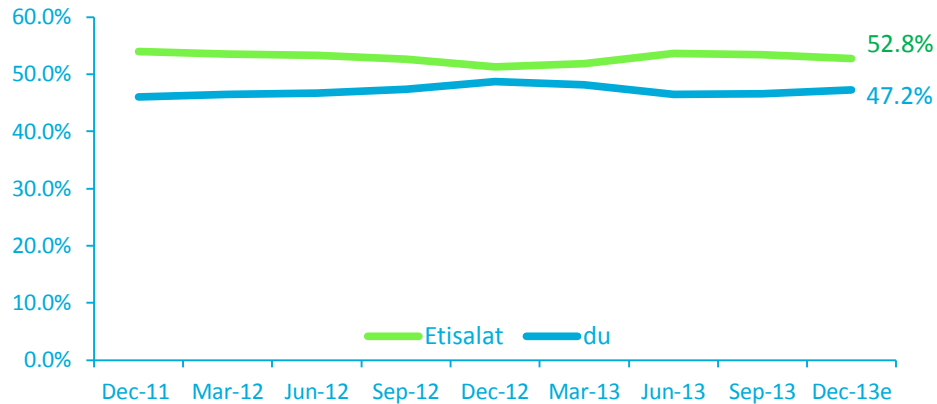


	Slide
Highlights of the Full Year and Q4 Results	4
Market Information	8
Financial Summary	10
Strategy and Outlook	23

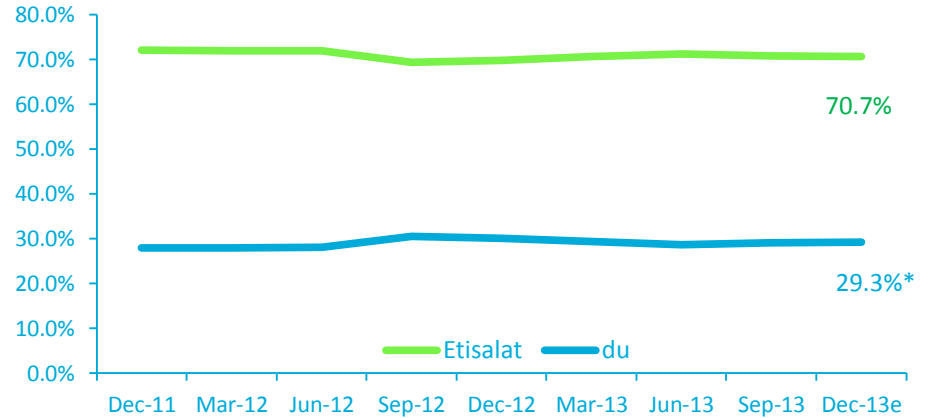
# Market Overview

Market share consolidation – increasing emphasis on growing revenue share

## UAE Mobile Subscribers - Market share quarterly evolution



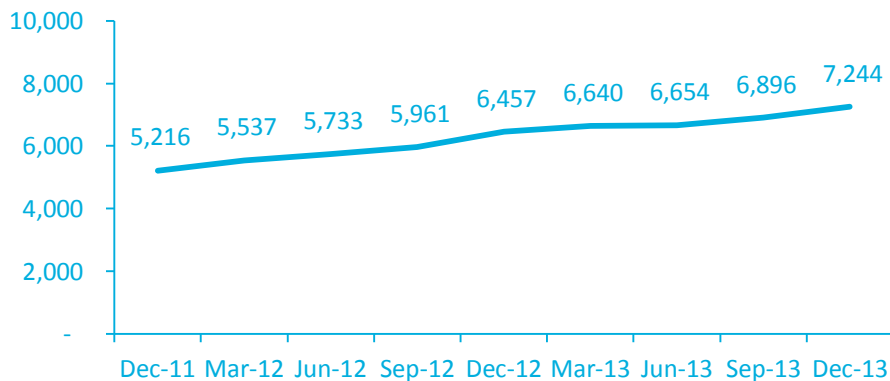
## UAE Telecom Market - Revenue share quarterly evolution



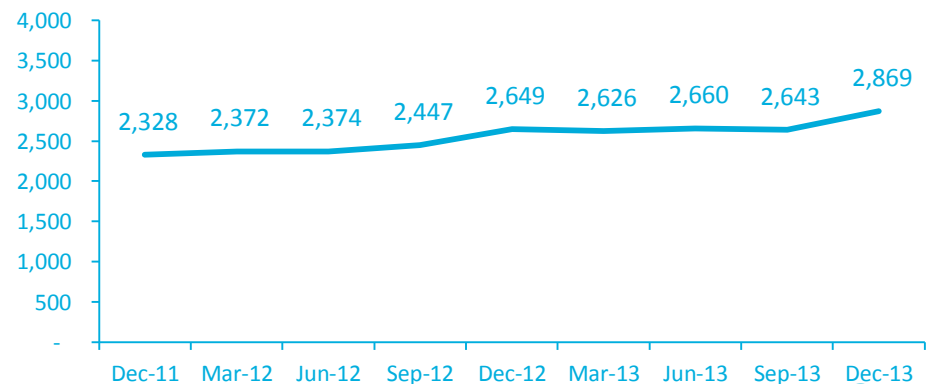
\* du revenue share for the last 12 months is 29.1%

Source: TRA Market Statistics November 2013, Internal estimates, Etisalat Quarterly/ annual financial reports

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



## du Total Revenues (AED M)



UAE

- Population: 8.3 million
- Population growth: 3%
- GDP: US\$ 390 bn
- GDP per capita: US\$ 43,185

(Source: TRA – November 2013, UAE's National Bureau of Statistics (NBS), IMF: World Economic Outlook October 2013, Internal estimates)



# Contents

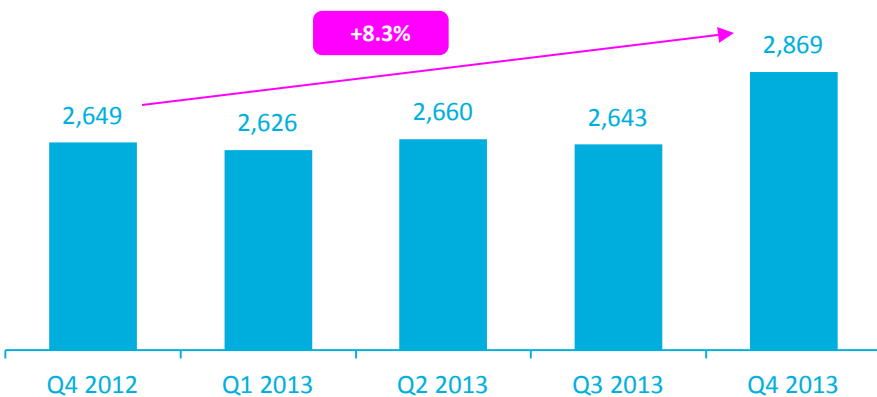


	Slide
Highlights of the Full Year and Q4 Results	4
Market Information	8
Financial Summary	10
Strategy and Outlook	23

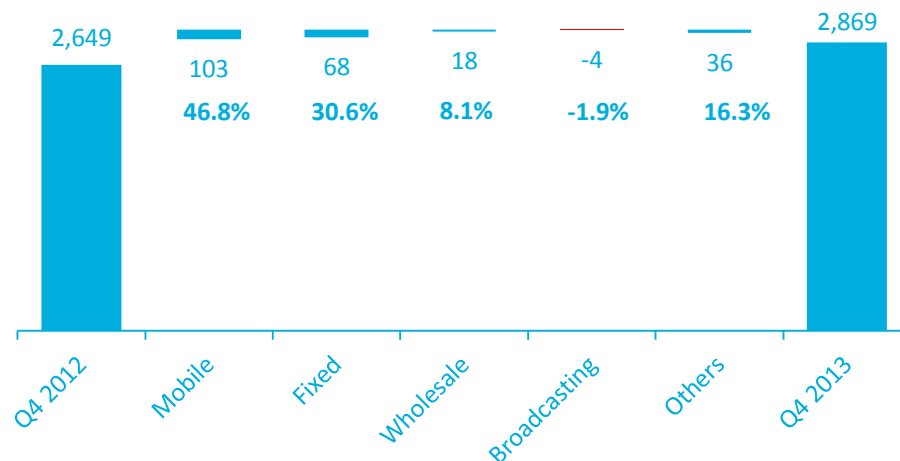
# Total Revenues

Mobile business continues to drive revenues

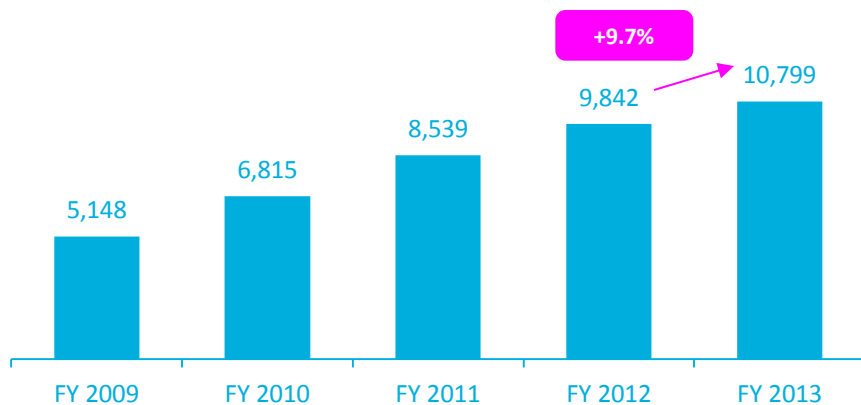
## Quarterly Revenue (AED M)



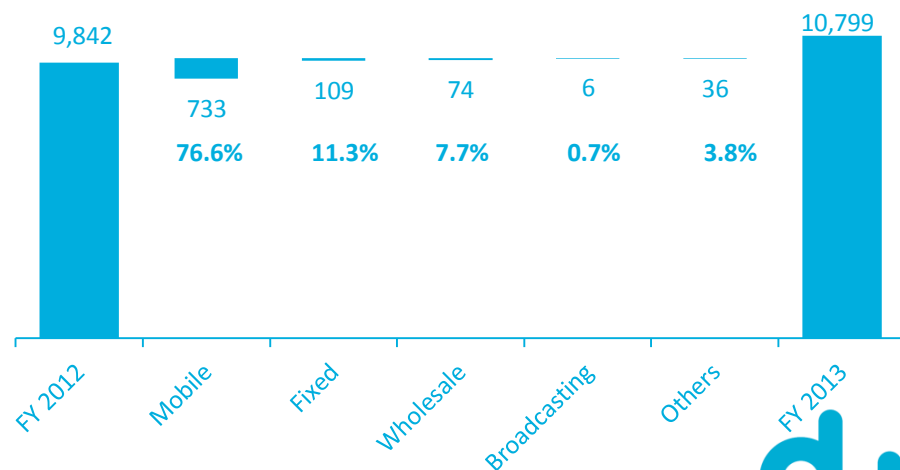
## Like for Like Revenue Breakdown Quarter Change\* (AED M)



## Full Year Revenue (AED M)



## Like for Like Revenue Breakdown Yearly Change\* (AED M)



Notes:

\*AED 36 M change q-on-q and y-on-y in Others Revenue due to site sharing revenue previously accounted for in Other Income.

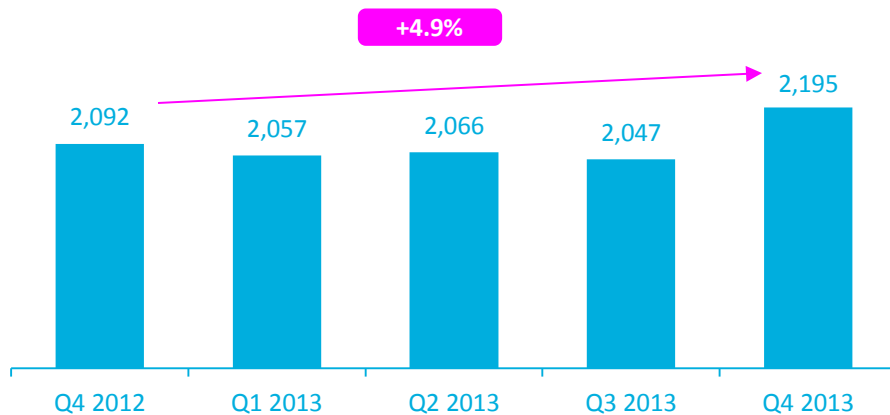
\*Going forward, expected marginal organic growth in site sharing revenue dependent on Etisalat network evolution.



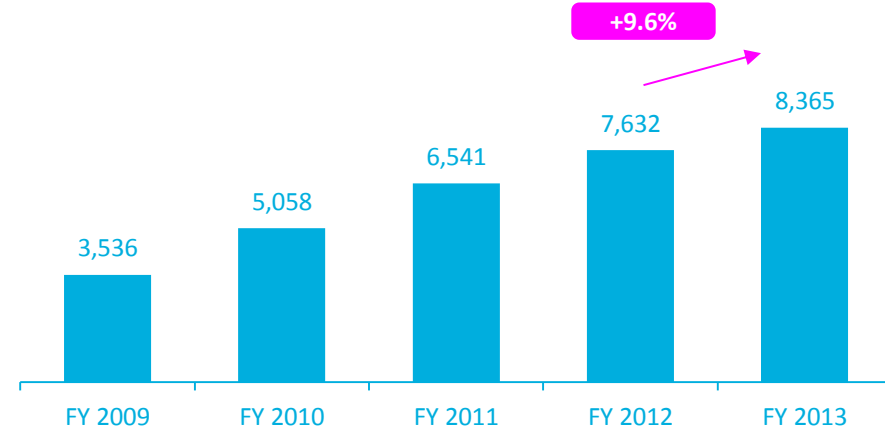
# Revenue Drivers - Mobile

Increased mobile revenues due to International voice and data, mobile ARPU maintained despite increased competition in mobile market

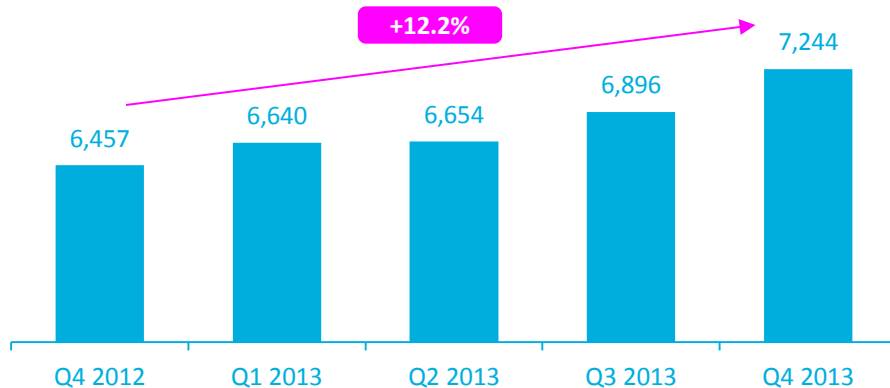
## Quarterly Mobile Revenues (AED M)



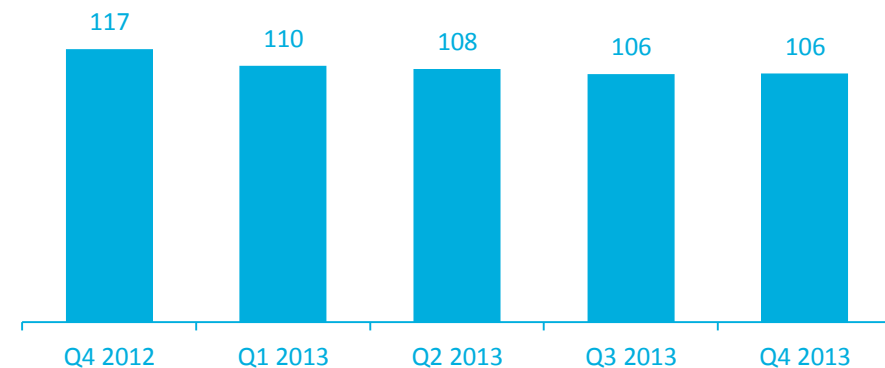
## Year on Year Mobile Revenues (AED M)



## Mobile Subscribers Active 90 Days\* ('000)



## Quarterly Mobile ARPU (AED)



Notes:

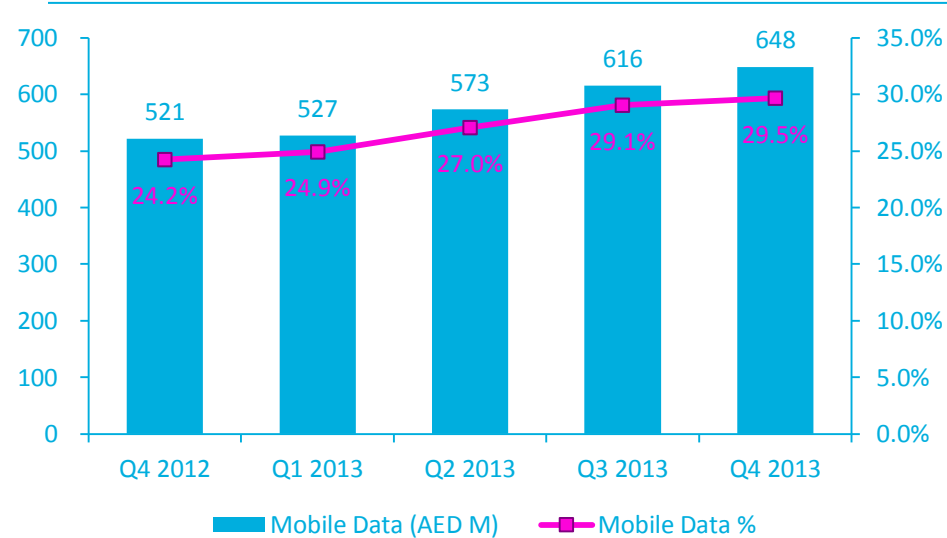
\*Rise in mobile subscribers due to increased marketing focus quarter on quarter



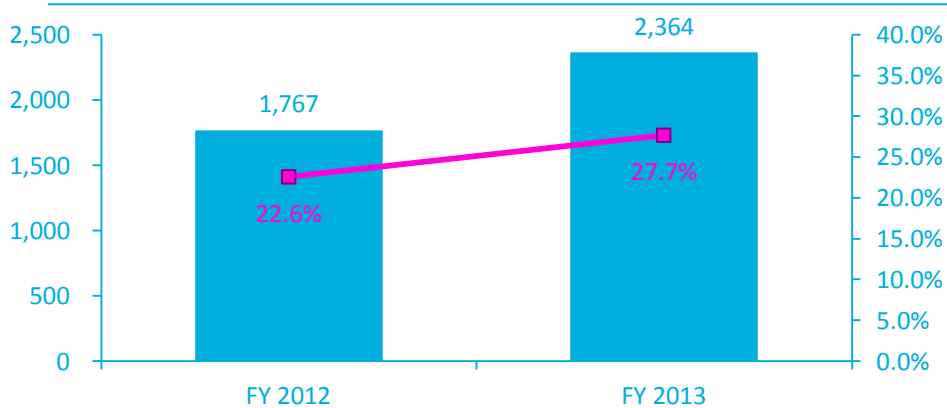
# Revenue Drivers - Mobile

Data revenues continue to grow, reflecting the global trend in data consumption

Quarterly Mobile Data Revenues (AED M)



Yearly Mobile Data Revenues (AED M)



## Smartphone offerings and increasing demand for data contributed to growth

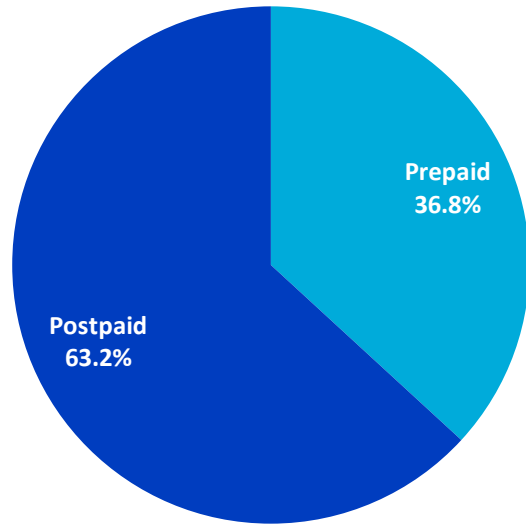
- Mobile data revenues increased from Q4 2012 to Q4 2013 by 24.3%, year on year increase was 33.8%
- More data-oriented offerings for customers such as smartphone plans added to mobile data revenues in Q4 2013
- Mobile data services such as data bundles and the More Data recharge option
- Increased data usage among an increasing post-paid customer base
- Rising demand for data continues to be a positive attribute for mobile data revenues



# Revenue Drivers – Mobile

High-value postpaid segment backs growth

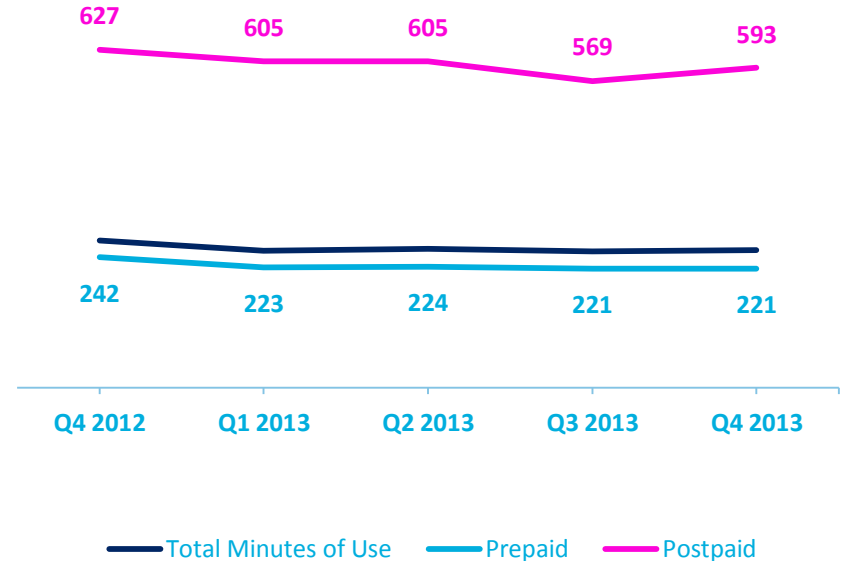
**Contribution to growth in mobile revenues**  
(excluding inbound roaming and handset revenue)



## Post-paid contribution continues to grow

- Post-paid customers added to mobile revenues, increasing from 56.7% in 2012
- The rise in post-paid customer base as well as increased data usage positively impacted the contribution to mobile revenue

## Quarterly Minutes of Use by Customer Segment



## Minutes of use stable despite increased appetite for data

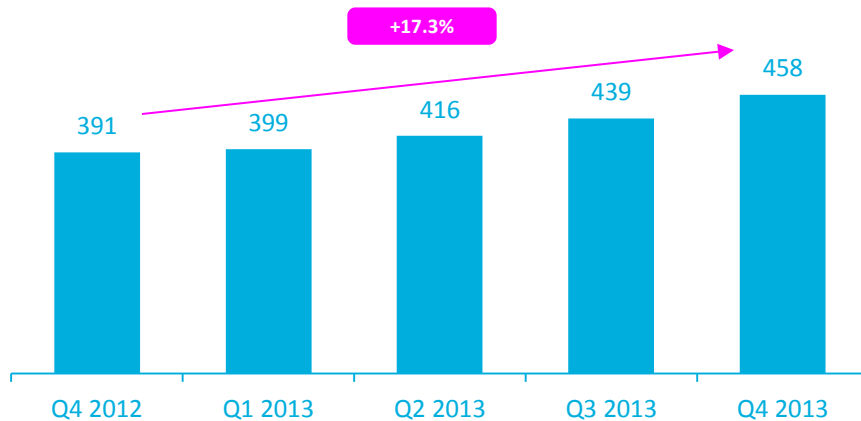
- Postpaid usage among customers increased to 593 in Q4 2013 compared to 569 in Q3 2013
- Prepaid minutes of use and total minutes of use remain stable



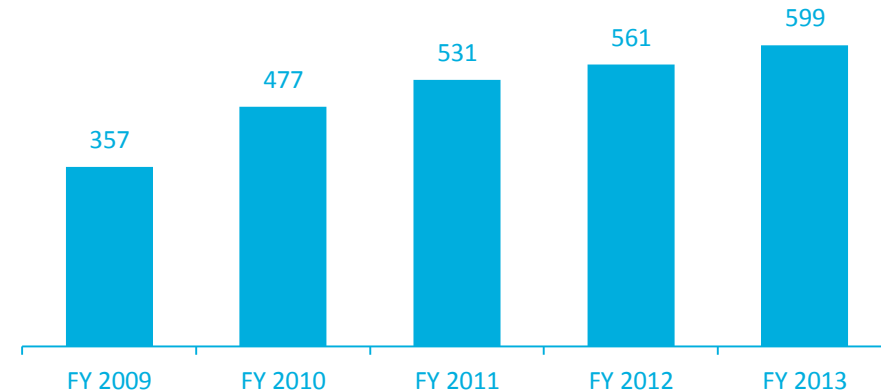
# Revenue Drivers – Fixed

Steady growth in fixed revenues

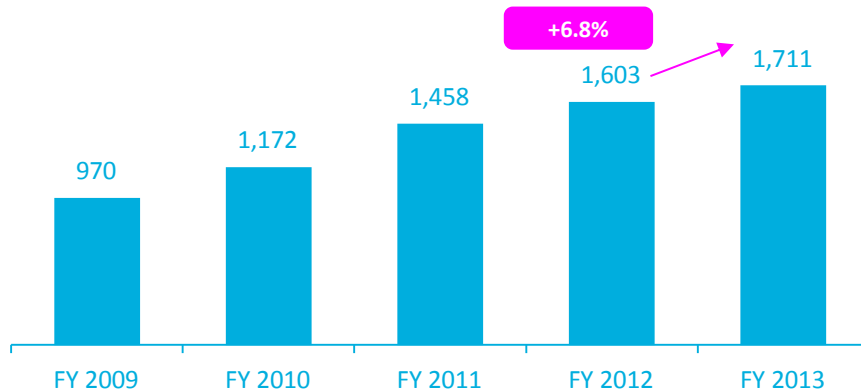
## Quarterly Fixed Revenue (AED M)



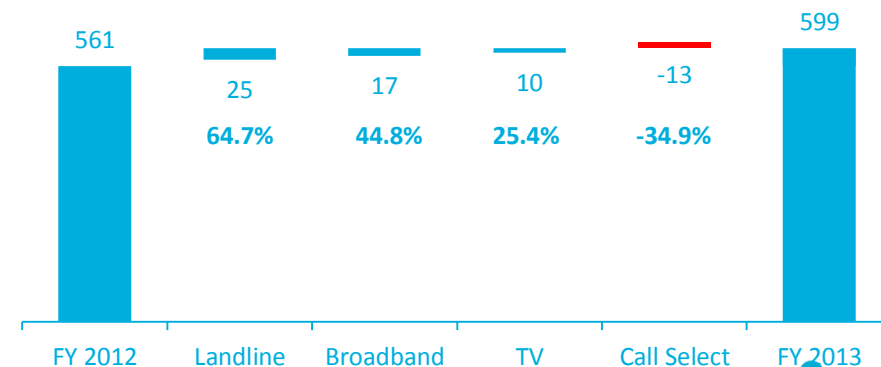
## Yearly Fixed Line Subscribers ('000)



## Full Year Fixed Revenue (AED M)

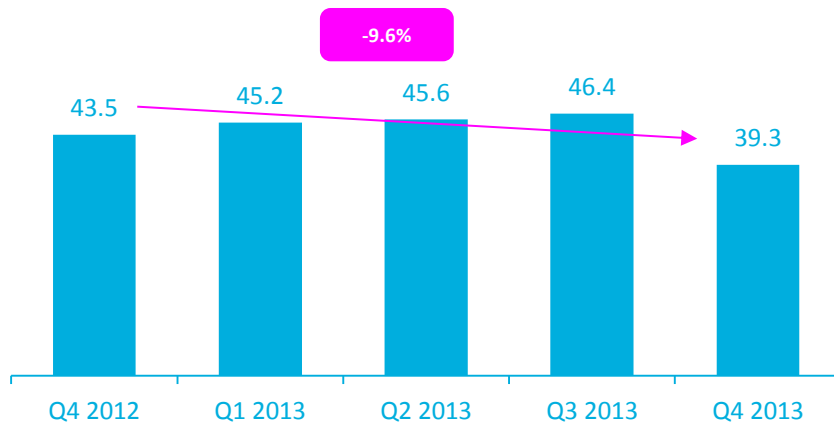


## Fixed Line Subscriber Breakdown Yearly Change (FY 2013)

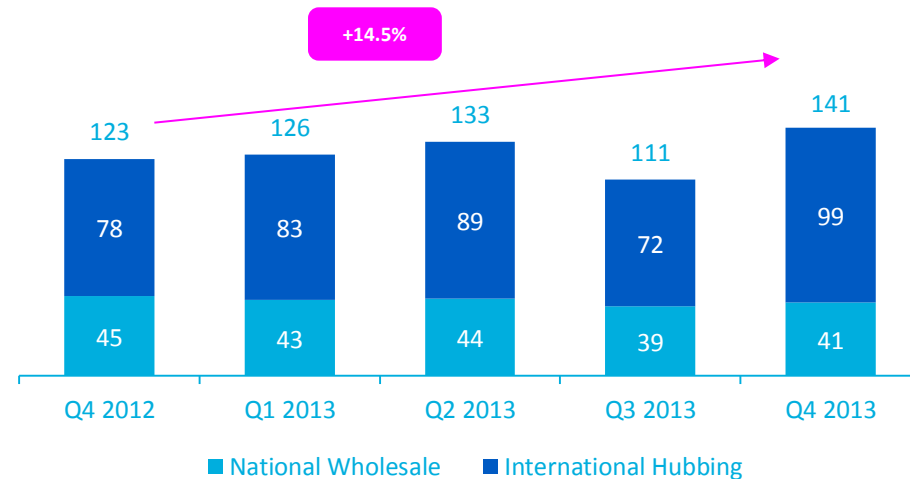


# Revenue Drivers – Broadcast & Wholesale

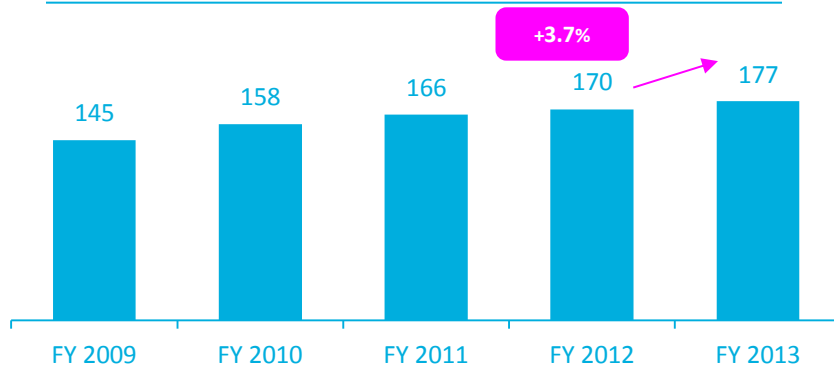
Quarterly Broadcast Revenues\* (AED M)



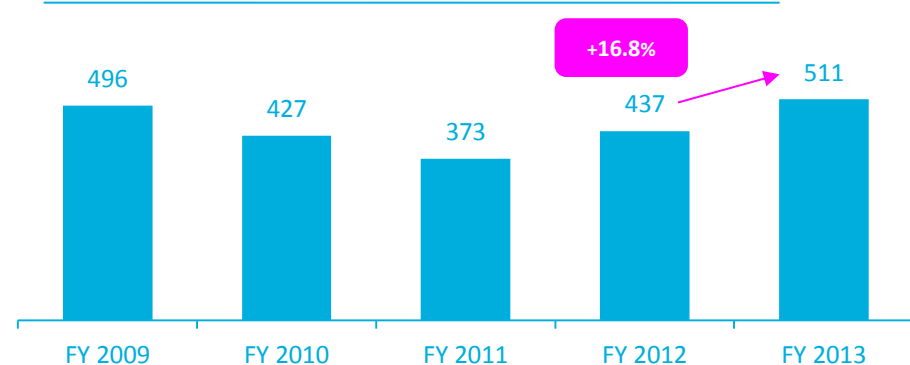
Quarterly Wholesale Revenues\*\* (AED M)



Full Year Broadcast Revenues (AED M)



Year to Date Wholesale Revenues (AED M)



Notes:

\*Drop in Q4 2013 broadcasting revenue mainly due to terminations of TV services and adjustments amounting to AED 5.4 million

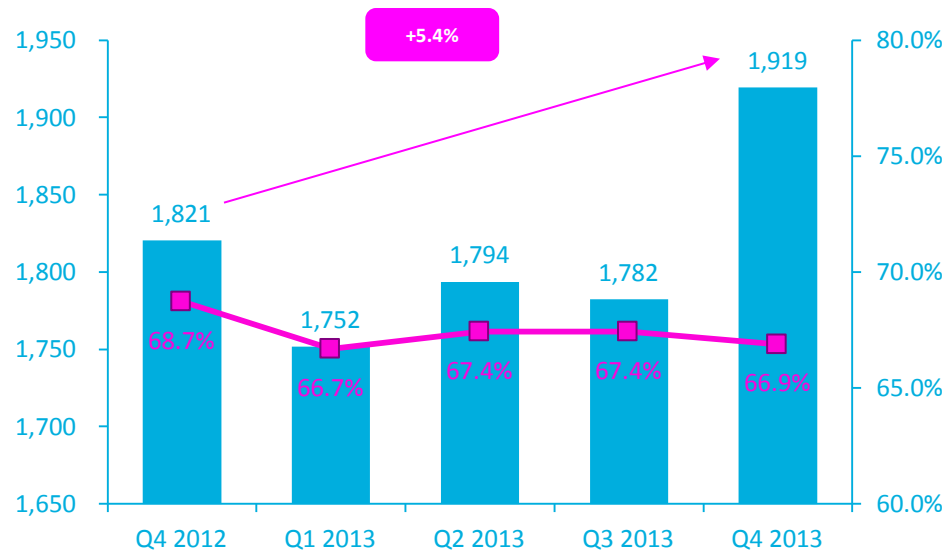
\*\*Increased potential in international hubbing after royalty regime clarification which makes it more profitable.



# Gross Margin

Sustained positive trend in gross margin

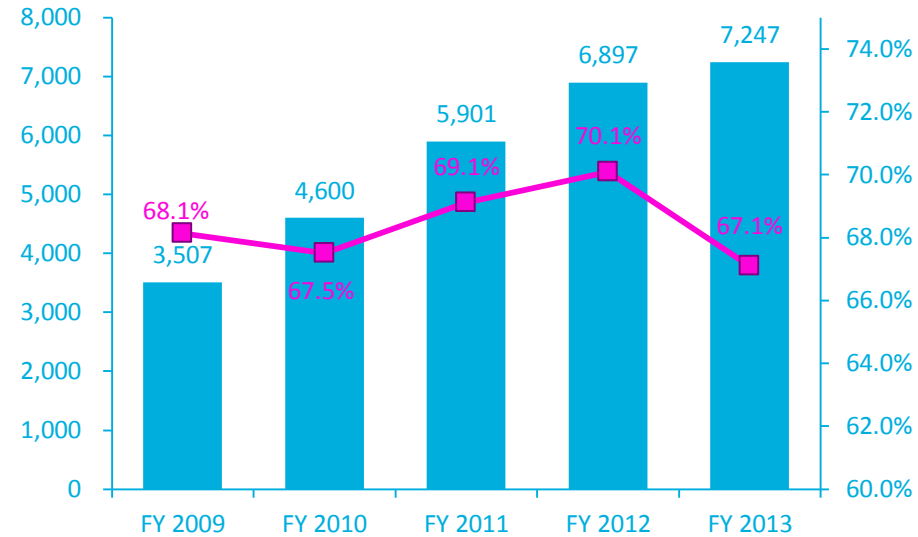
Quarterly Gross Margin (AED M)



## Steady increase in gross margin

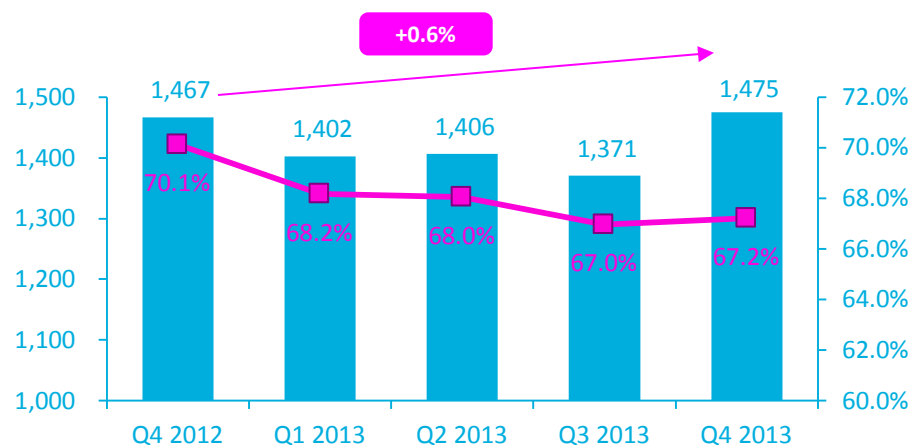
- Gross margin as a percentage of revenue stands at 67.1% for 2013, a 5.1% increase over 2012
- The impact of international interconnect rates on the gross margin for the year was AED 99m (0.9% points)
- Gross margin for the quarter stood at AED 1.92 billion, representing a 5.4% increase year on year and a 7.7% increase quarter on quarter
- The increased interconnect rates as well as IDD promotions during the season were the main drivers for the gross margin% decrease in Q4 2013

Yearly Gross Margin (AED M)

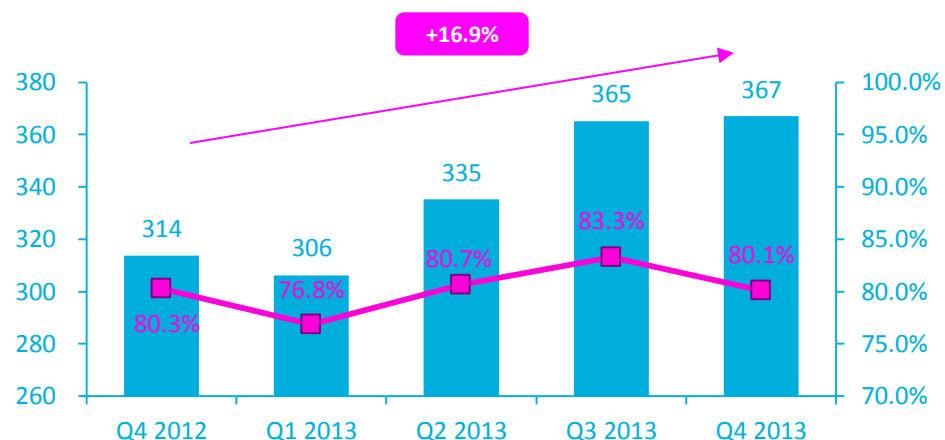


# Gross Margin

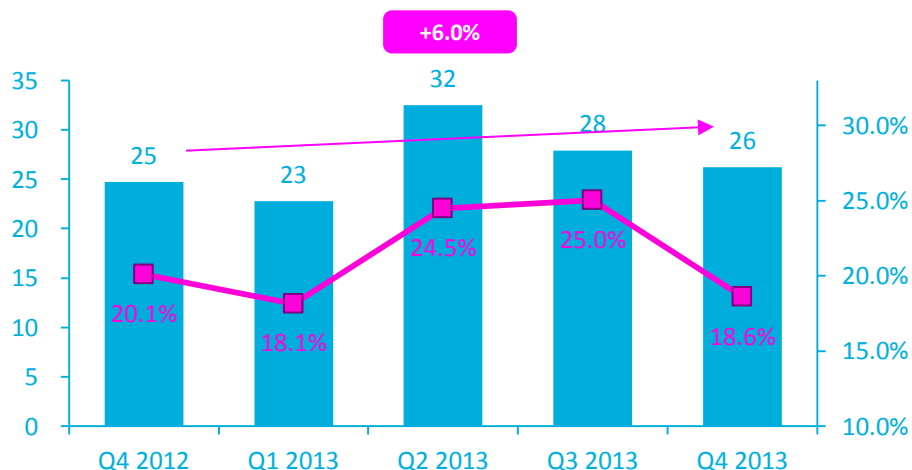
## Quarterly Mobile Gross Margin (AED M)



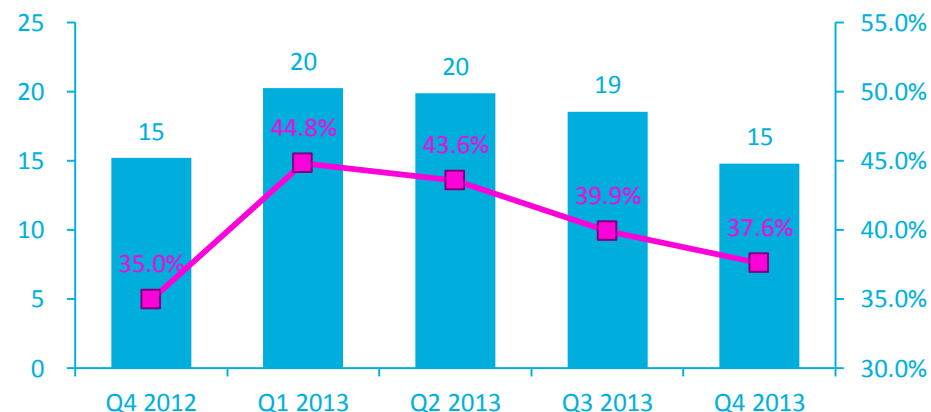
## Quarterly Fixed Gross Margin (AED M)



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



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



Notes:

\* Wholesale gross margin % impacted by higher international hubbing revenues with lower gross margin %

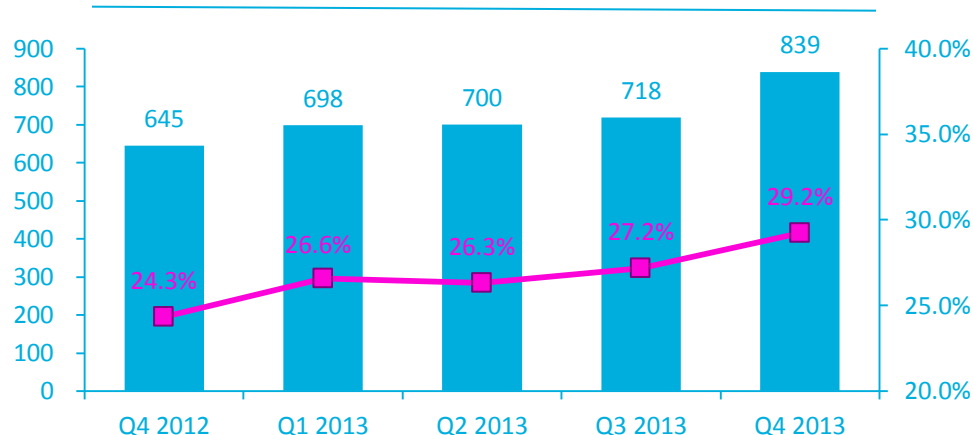
\*\*Decrease in broadcasting revenue impacting gross margin as broadcasting cost of sale is static



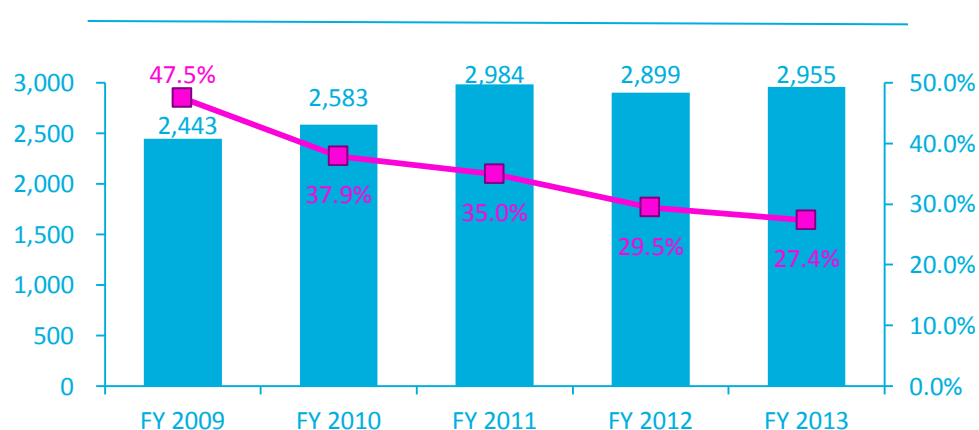
# Overheads

Investment in manpower and networks, maintaining efficiencies while driving for improved performance

Quarterly Overheads (AED M)



Year on Year Overheads (AED M)



Overheads as a % of Revenue	Q4 '12	Q3 '13	Q4 '13
Manpower	12.1%	12.0%	14.2%
Telecom license & related fees	2.5%	2.5%	2.4%
Sales & marketing	2.4%	2.3%	2.4%
Bad debts	-0.7%	1.0%	1.2%
Network operations & maintenance	6.2%	7.7%	7.2%
Rent & utilities	1.0%	1.0%	1.0%
Miscellaneous	0.8%	0.7%	0.8%
<b>Total Overheads as % of Revenue</b>	<b>24.3%</b>	<b>27.2%</b>	<b>29.2%</b>

- Higher spend on manpower and network operations in Q4 2013, in line with strategy to improve network performance and IT services

Overheads as a % of Revenue	FY 2012	FY 2013
Manpower	13.7%	12.7%
Telecom license & related fees	2.6%	2.5%
Sales & marketing	3.1%	2.3%
Bad debts	0.5%	0.7%
Network operations & maintenance	7.4%	7.3%
Rent & utilities	1.3%	1.0%
Miscellaneous	0.9%	0.8%
<b>Total Overheads as % of Revenue</b>	<b>29.5%</b>	<b>27.4%</b>

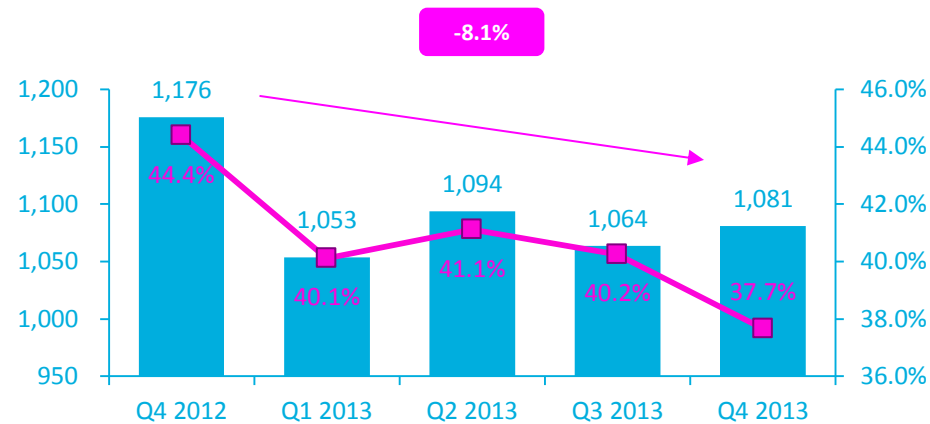
- Overheads as a percentage of revenue decreased from 29.5% to 27.4% year on year as a result of operational efficiencies during the year



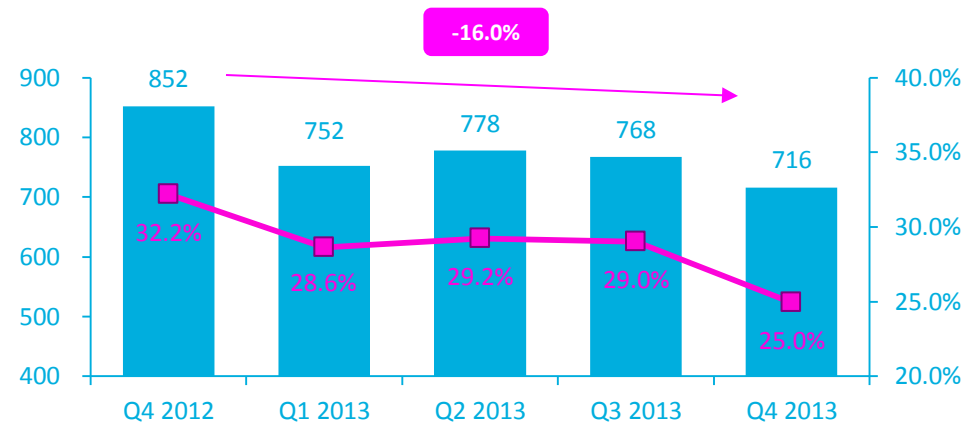
# Profitability

Sustained yearly growth in profitability with positive EBITDA and Net Profit performance

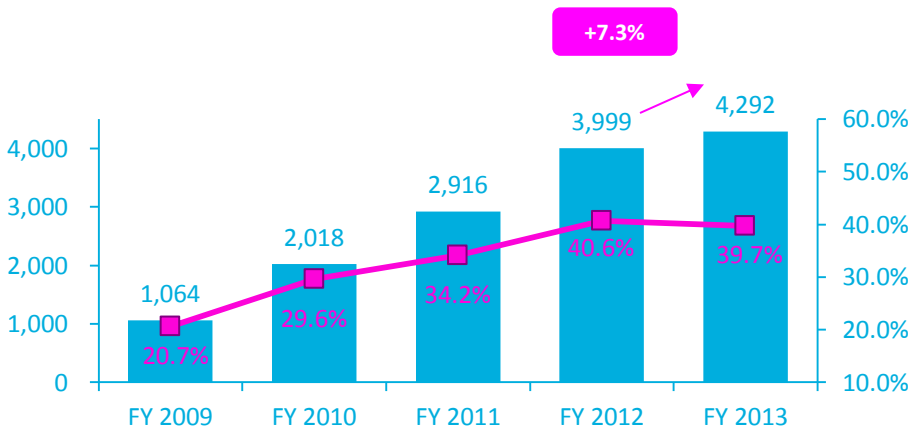
## Quarterly EBITDA (AED M)



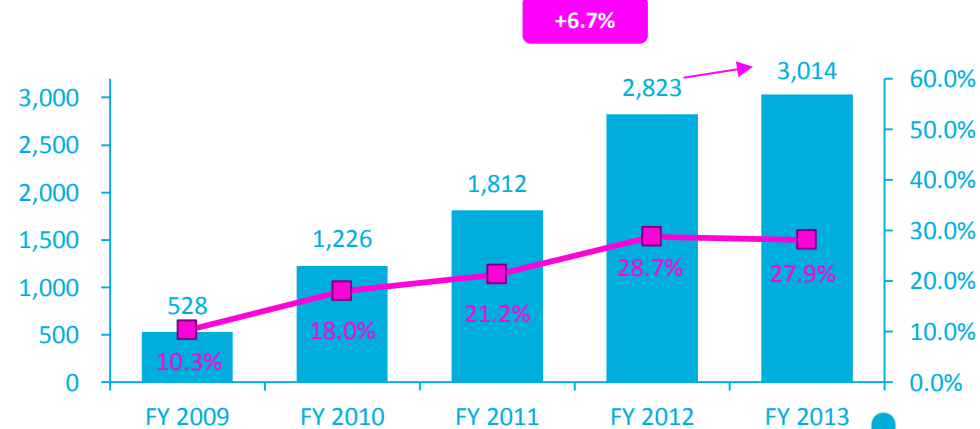
## Quarterly Net Profit before Royalty\* (AED M)



## Yearly EBITDA (AED M)

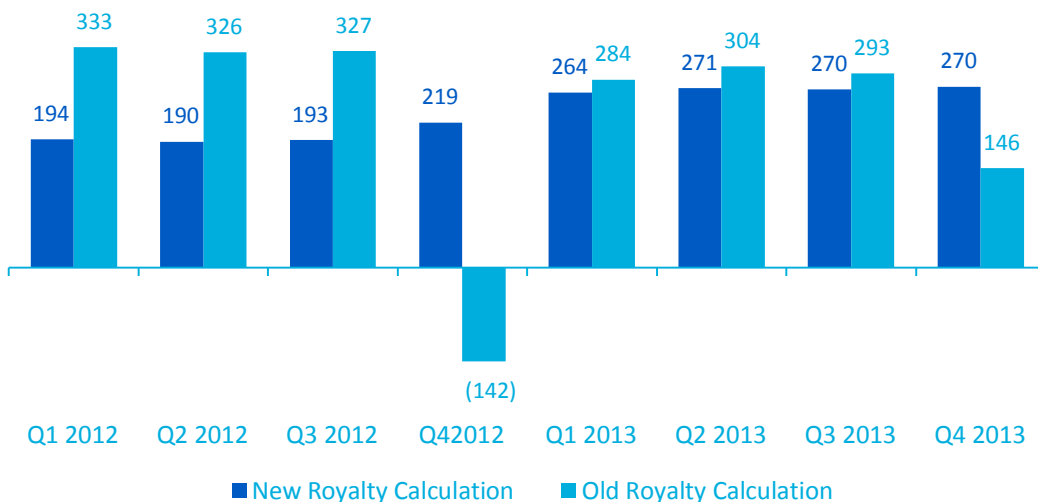


## Yearly Net Profit before Royalty (AED M)

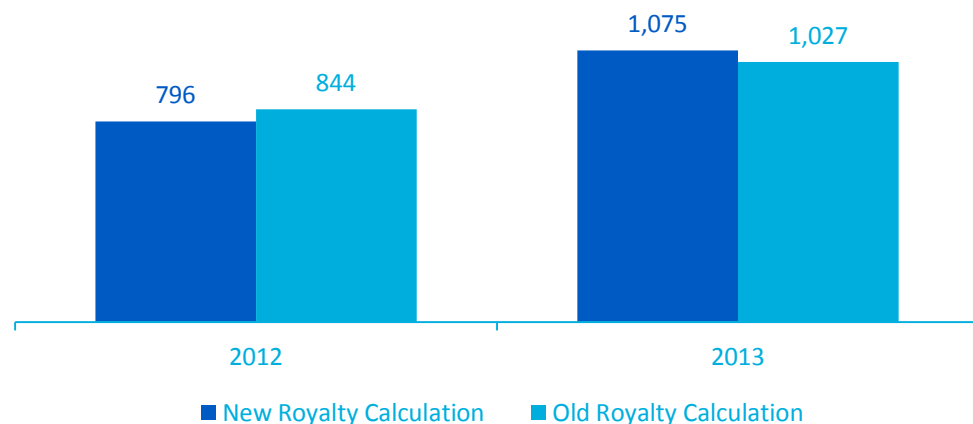


# Royalty Overview

## Quarterly Royalties (AED M)



## Yearly Royalties (AED M)



## Royalty Calculation

FY 2012	
Total Revenue	9,842
Regulated Revenue	7,327
% Regulated Revenue	74.5%
5% of Regulated Revenue	366
Adjusted Net Profit before Royalty	2,457
17.5% of Net Profit before Royalty	430
2012 Royalty	796
FY 2013	
Total Revenue	10,799
Regulated Revenue	7,871
% Regulated Revenue	72.9%
7.5% of Regulated Revenue	590
Adjusted Net Profit before Royalty	2,424
20% of Net Profit before Royalty	485
2013 Royalty	1,075

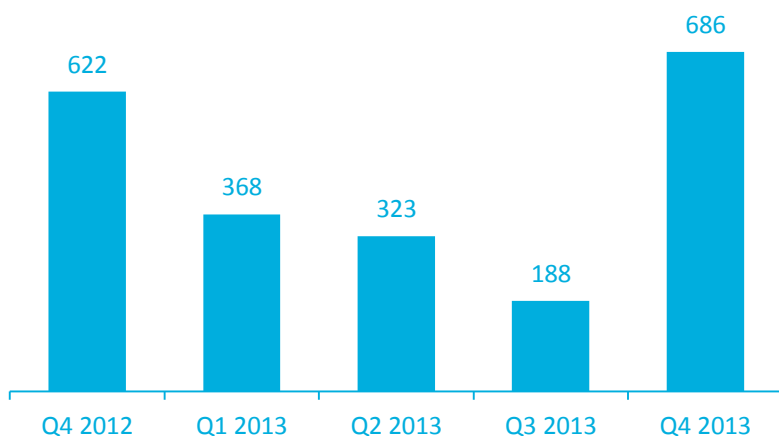
Final decree of Federal Govt. on 2012 royalty declaration received in Q-4 2013 resulting in AED 42m refund in Q4  
 Provision for 2013 royalty is based on the 2012 declared methodology  
 Adjustment made in Q4 for the year to date 2013 royalty based on the final 2012 declaration



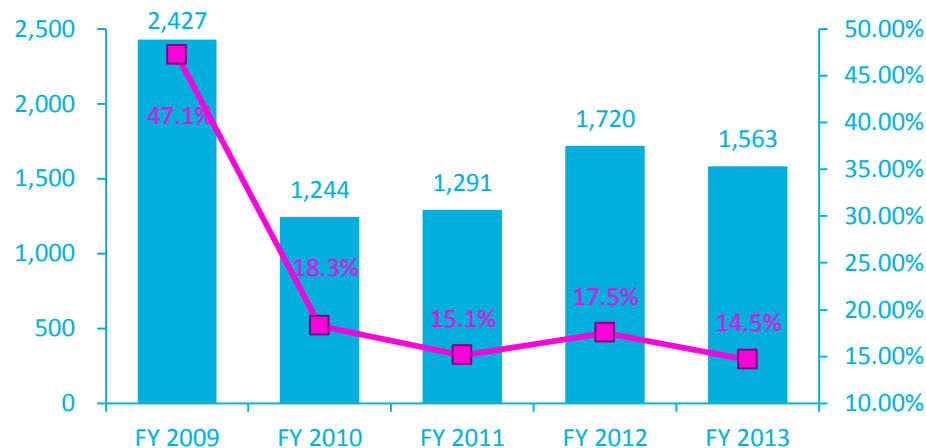
# Capital Investments

Substantial investments to provide enhanced networks to users

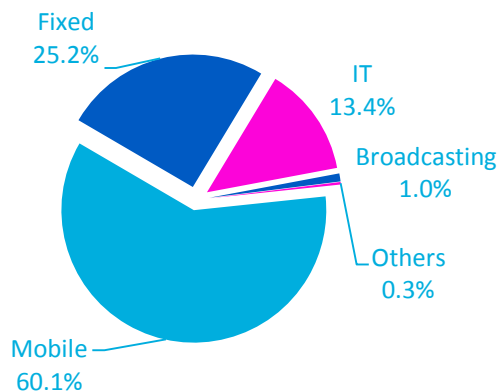
## Quarterly CapEx Additions (AED M)



## Yearly CapEx Additions (AED M)



## Full Year CapEx Spend by Segment



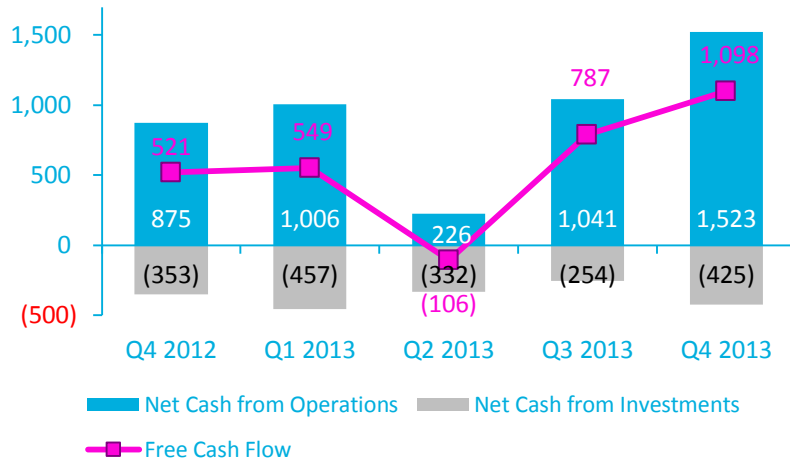
## Continued investment in infrastructure

- CapEx for the year stood at AED 1.56 billion, representing 9.1% year on year decrease
- CapEx for Q4 2013 was up 10.2% from Q4 2012 to AED 686 million
- Jump in CapEx additions in Q4 2013 due to phasing of projects

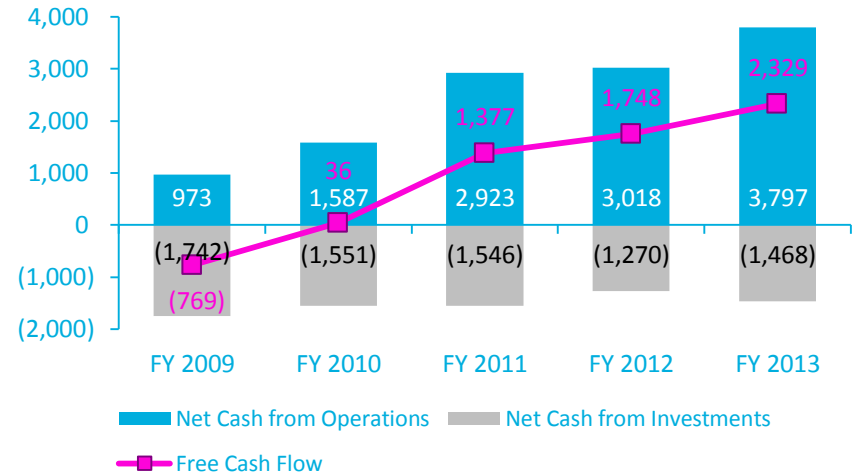


# Cash & Debt Overview

## Quarterly Free Cash Flow (AED M)



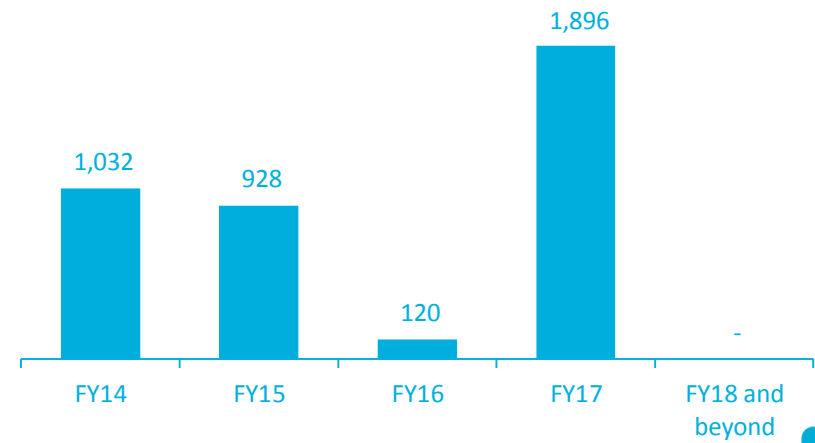
## Year on Year Free Cash Flow (AED M)



## Bank Facilities

Loan Sources (AED Millions)	Available	Drawn
ECA - NSN Nordea	147	147
ECA - NSN KFW	761	419
Vendor - CISCO Capital	31	31
Club Facility - Long Term Loan	808	808
DBS - Bilateral Loan	367	367
SCB-Bilateral Loan	367	367
Club Facility - Long Term Loan	1,837	1,837
<b>TOTAL DEBT FACILITIES</b>	<b>4,318</b>	<b>3,976</b>
<b>TOTAL CASH IN HAND</b>		<b>4,879</b>

## Debt Maturity Profile (AED M)



# Contents



	Slide
Highlights of the Full Year and Q4 Results	4
Market Information	8
Financial Summary	10
Strategy and Outlook	23

# 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
- Maximise return on investments and cash flow generation for our shareholders



# Q&A



وتحيا بها الحياة  
add life to life

