

# Q2 2020 Results

Emirates Integrated Telecommunications Company PJSC



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## COVID-19:

- **Covid-19 has impacted life and business across UAE** in Q2 2020, various restrictions related to people and business activities were in place during the large part of the quarter.
- Despite its relative resilience, the **Telecom sector was severely impacted** due to the nature of the economy and population mix. EITC's revenue is significantly impacted by the restrictions, no tourism activities, extremely low business activities, as well as the change in customer behavior.
  - Closing of a significant part of the distribution network (shops and retailers) during most of Q2. Gradual re-opening with several restrictions (safety measures, lower number of staff, etc.) started in June.
    - Low gross adds (while pre-covid churn with 90 day lag)
    - Impact on equipment sales
  - Heavy travel restrictions impacting significantly inbound and outbound roaming.
  - Full impact of the Wi-Fi offload in particular on the prepaid customers that constitutes an important part of the base.
  - Impact of free VoIP and video calling for certain apps.
  - Increased risk on certain corporate segments.

## General Business

- Management of the gradual ramp-up of the activity
- Continuation of the deployment of the 5G network
- New Ramadan offers for families to stay connected with loved ones
- Launched e-Shop to support SME customers in their digital transformation journeys

## **The activities are returning back but still far from normal. As of now:**

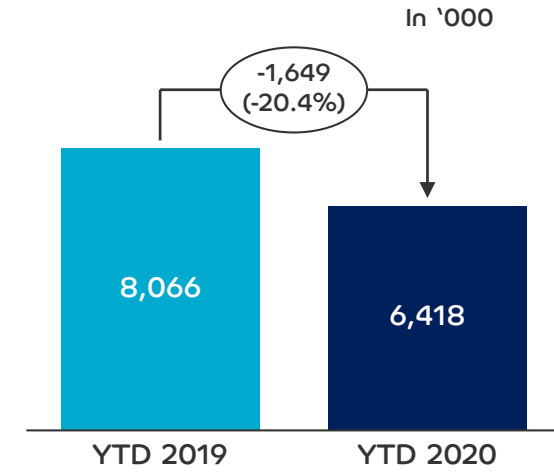
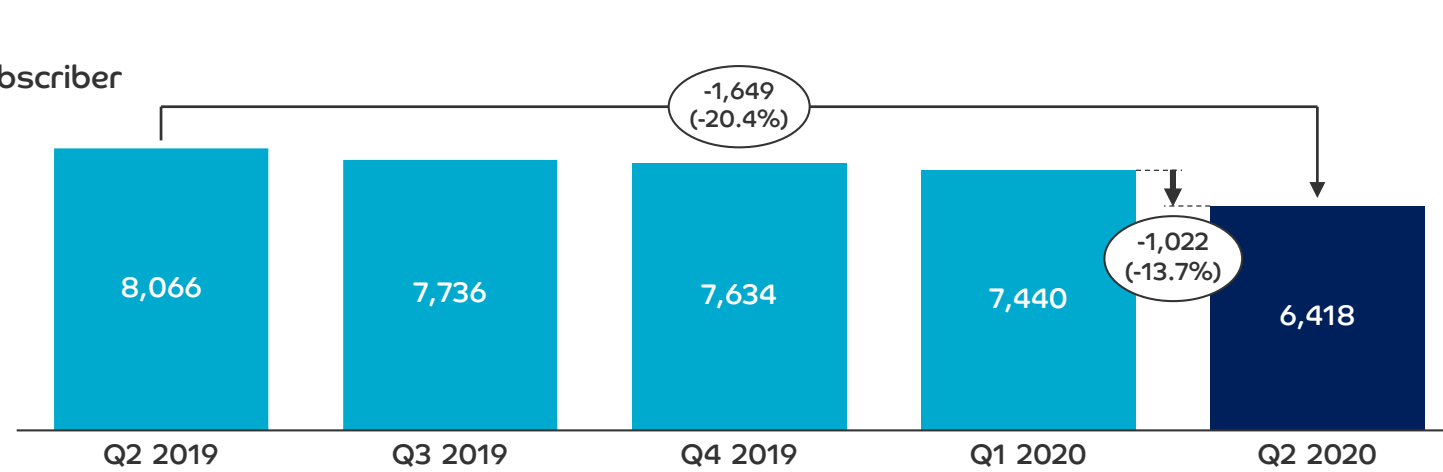
- Our retail shops are open at low capacity with health and safety measures in place for customers and staff
- Gradual reopening of the offices is planned with health and safety measures in place
- Continued to maintain high network availability for both fixed and mobile network to provide uninterrupted services

**Transformation plan accelerated and deployment is maintained keeping the long term objective in mind.**

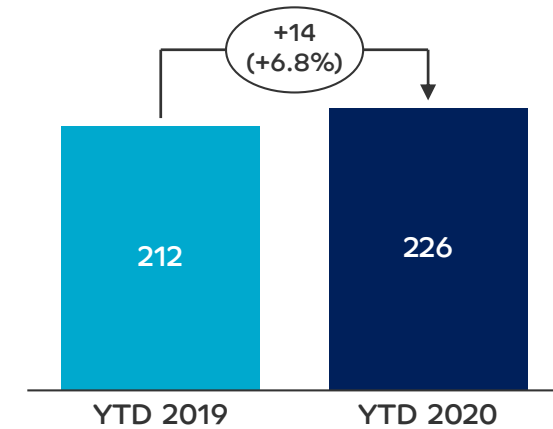
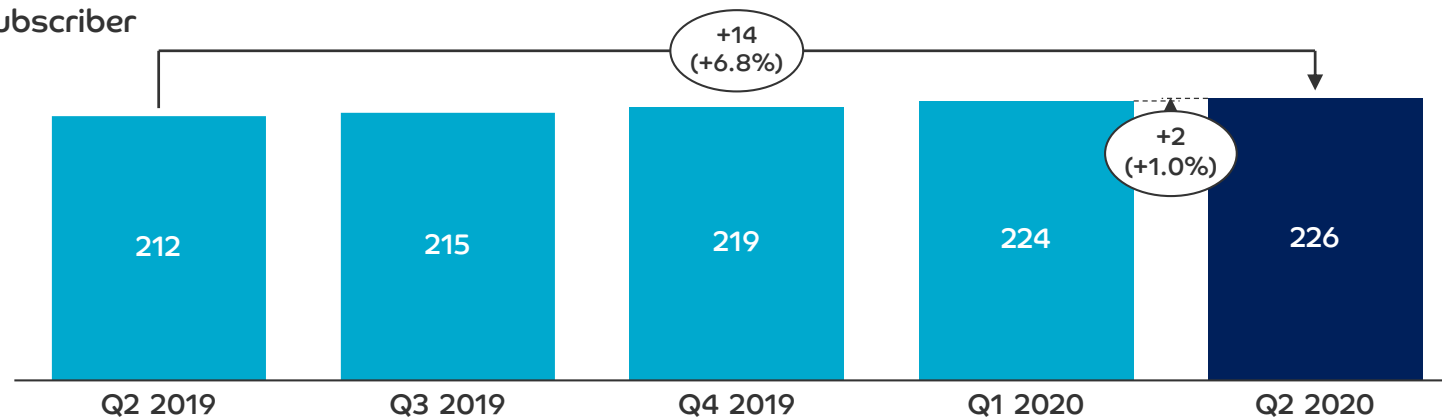
**The strong cash flows and balance sheet comforted the board in proceeding with an interim dividends distribution of 0.13 AED/share.**

# Pressure on the mobile base and growth of the fixed base

Mobile Subscriber Base<sup>(1)</sup>



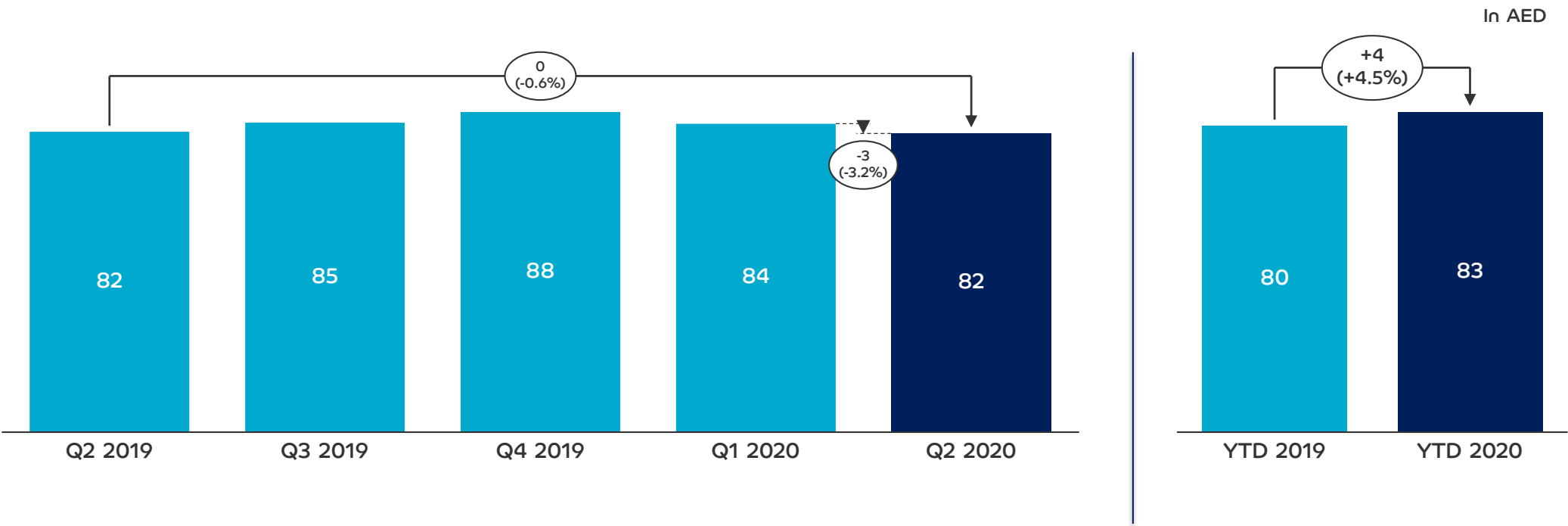
Fixed Subscriber Base<sup>(2)</sup>



- Decline in mobile customer base compared to last year is mainly due to MNMI disconnections in 2019 as well as lower gross adds in Q2 2020 due to movement restriction.
- Fixed customer base continues to increase at healthy pace.

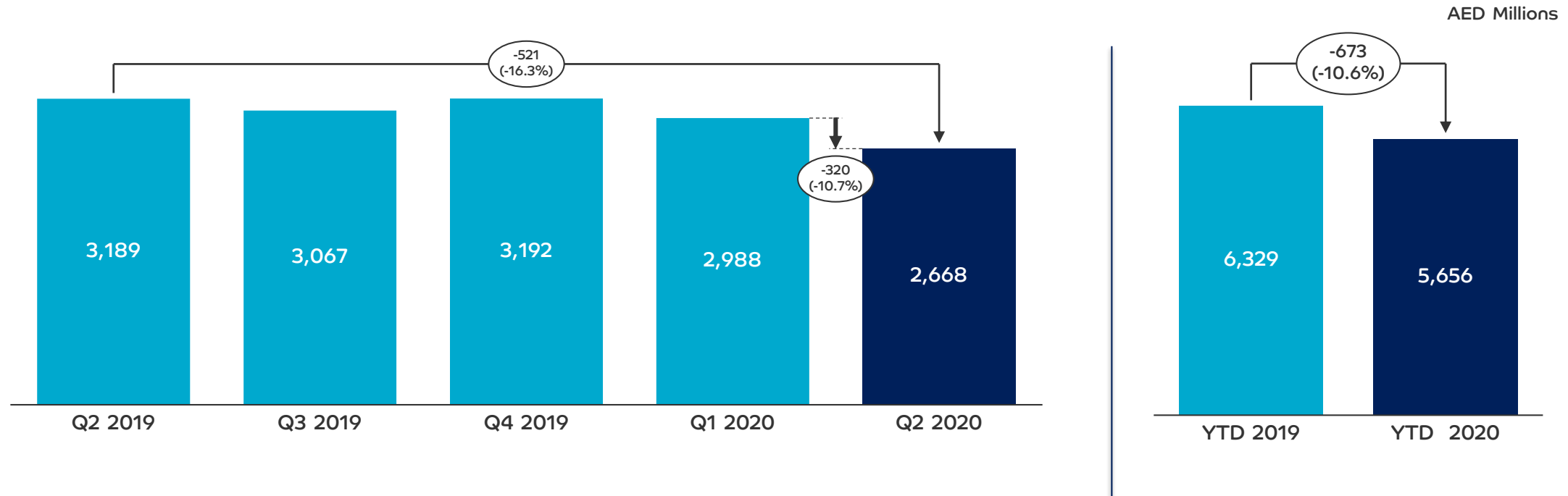
5 (1) Mobile subscriber base as per TRA definition a subscriber is accounted in the base is a subscriber that has made any transaction, including a non billable transaction, in the last 90 days  
 (2) Fixed Subscriber base are unique subscribers having active subscription plan (having access to service) for consumer segment.

# Stable mobile ARPU



- Slight decline in ARPU QoQ mainly driven by the decline in prepaid revenues.
- Compared to last year, ARPU is almost flat largely driven by the change in mix of Prepaid and Postpaid Subscribers despite of decline in revenues.

# Impact of the Covid-19 reflected fully on Q2 revenues

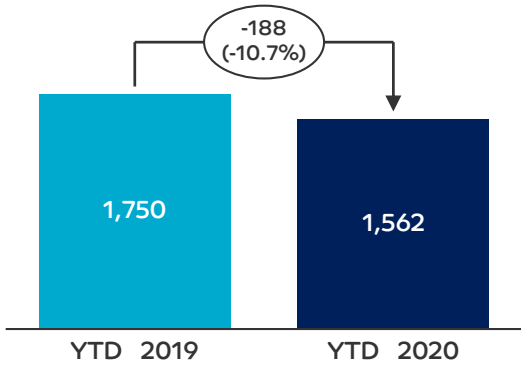
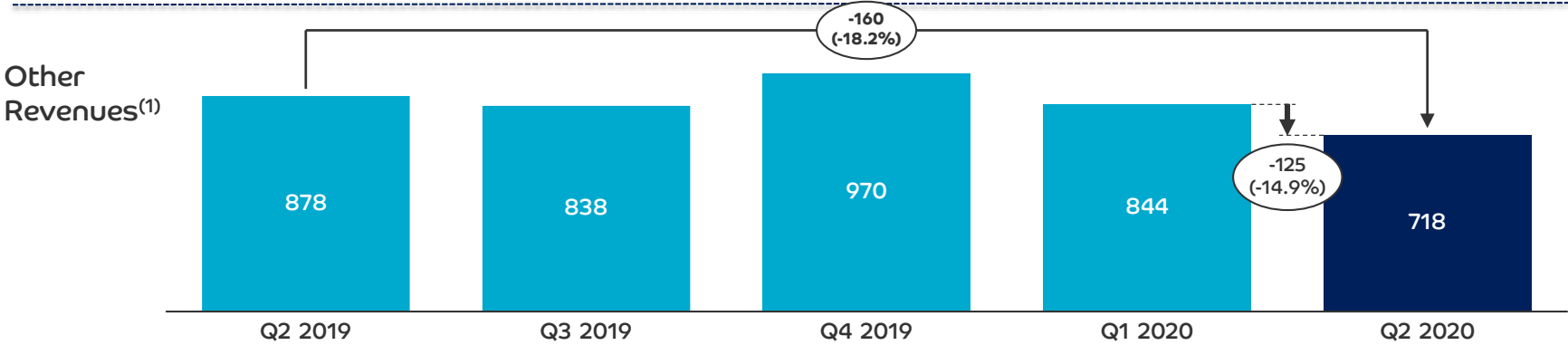
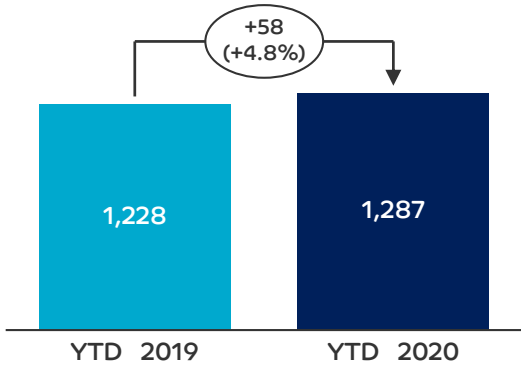
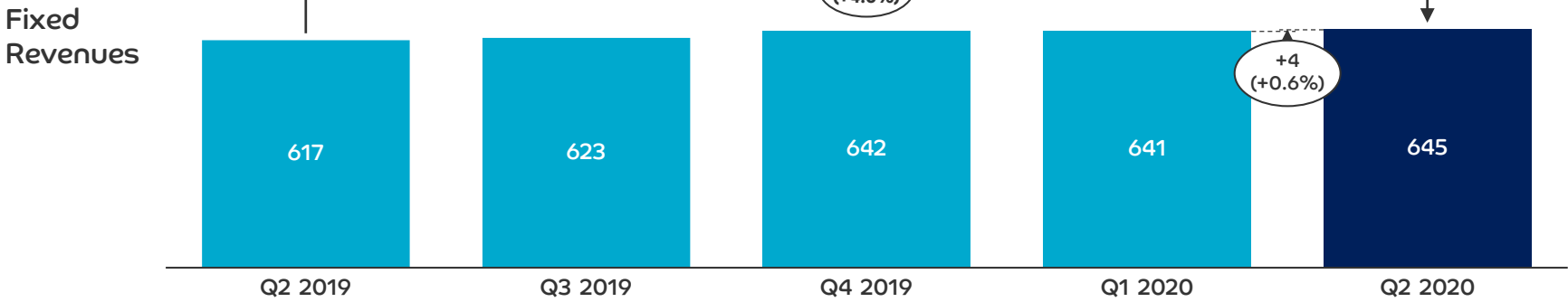
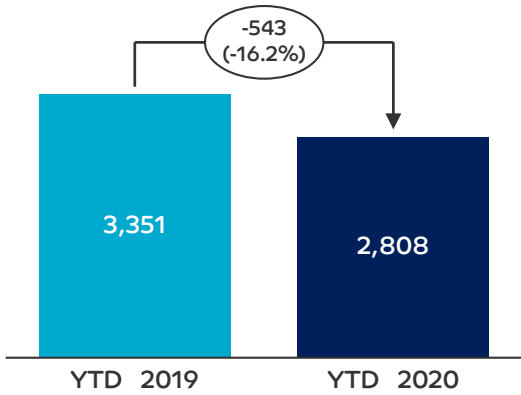
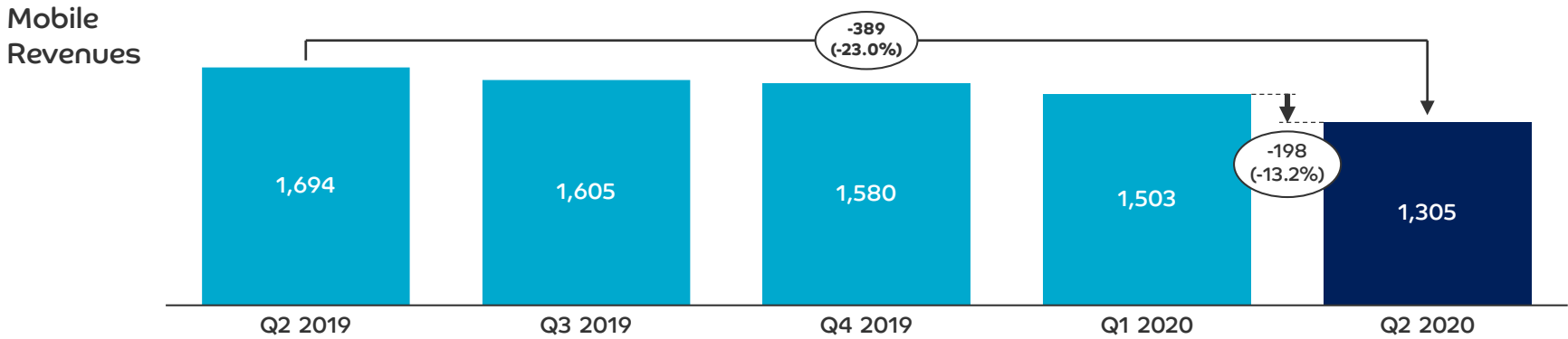


- Total revenue decline compared to last year and last quarter is mainly influenced by the drop in “mobile” and “other revenues”.
- Mobile Revenue: Mobile revenues were under pressure due to low economic activities driven by movement restrictions, limited travel and closure of retail stores for the large part of quarter. Revenue also negatively impacted by the low mobile prepaid usage resulting from the shift of traffic from mobile to fixed as companies implemented work from home initiatives.
- Fixed Revenue: Compared to last year, the growth is mainly driven by increase in customer base.
- Other revenues: Impacted by lower voice transit and equipment revenue which is mainly driven by the lower acquisitions as well as the negative impact on visitor roaming revenues resulting from travel restrictions.

# Growth in fixed revenues and pressure on the other segments



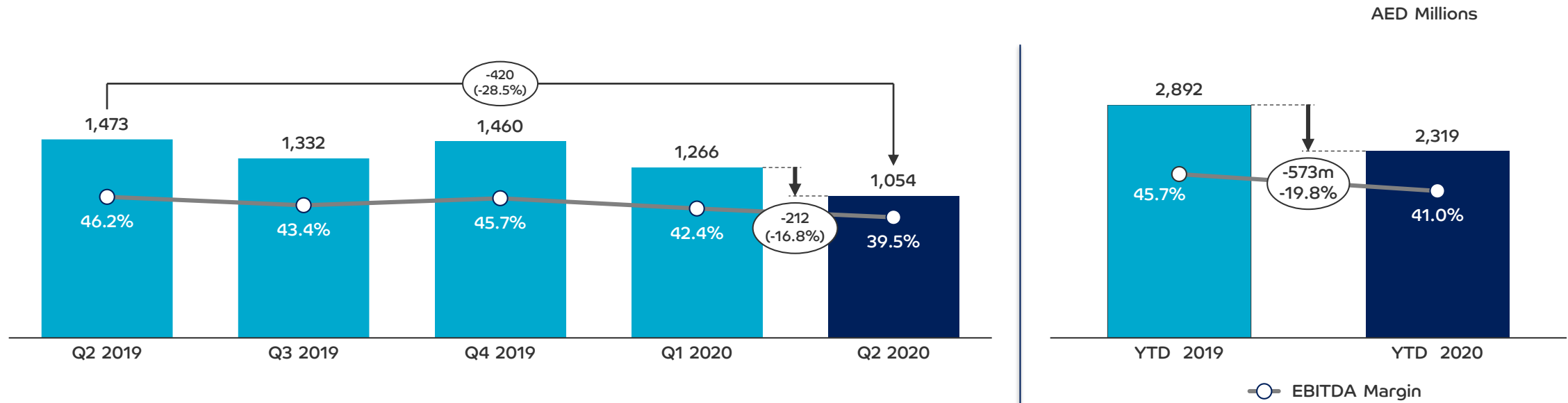
AED Millions



(1) Other revenue mainly includes Interconnect, international voice transit, handset and visitor roaming revenues

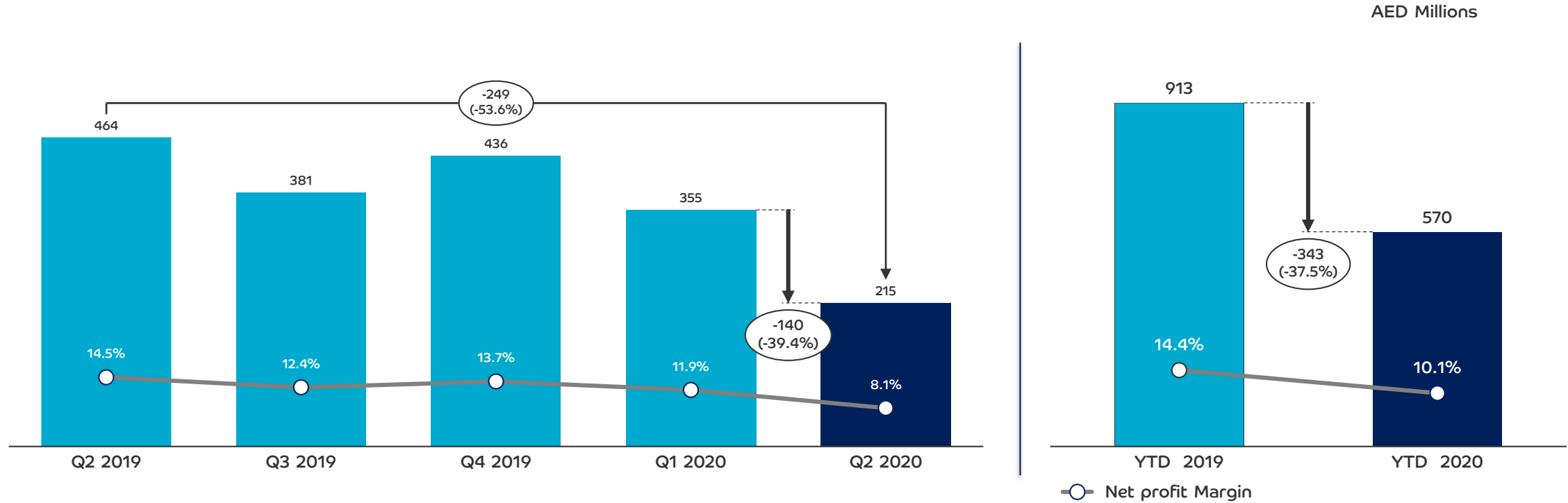


# EBITDA erosion despite cost efficiency measures



- EBITDA mainly impacted mainly by the decline in revenues.
- Cost control in several areas but not visible due to one off benefits in previous year as well as increase in bad debts.

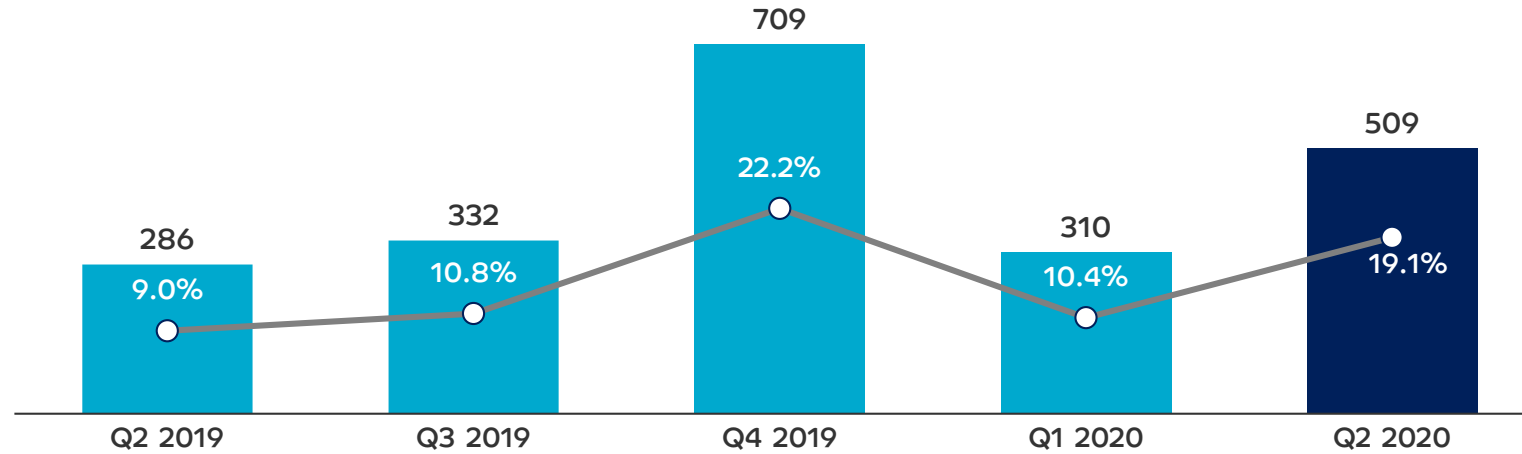
# Pressure on the bottom-line



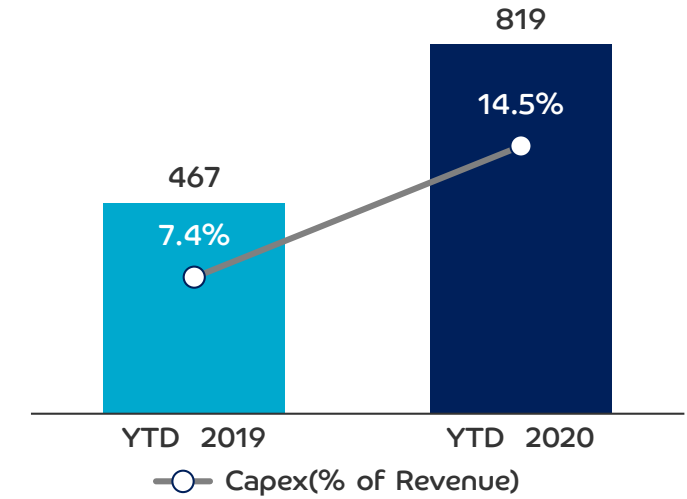
- Decline in mobile revenue led to decline in EBITDA and consequently the Net income.

# Deployment plans maintained and focus on cash flow

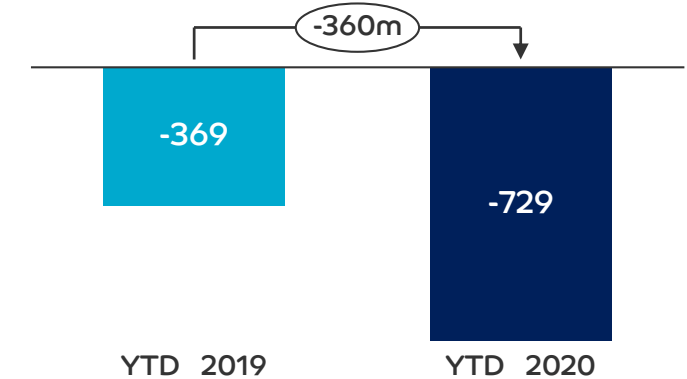
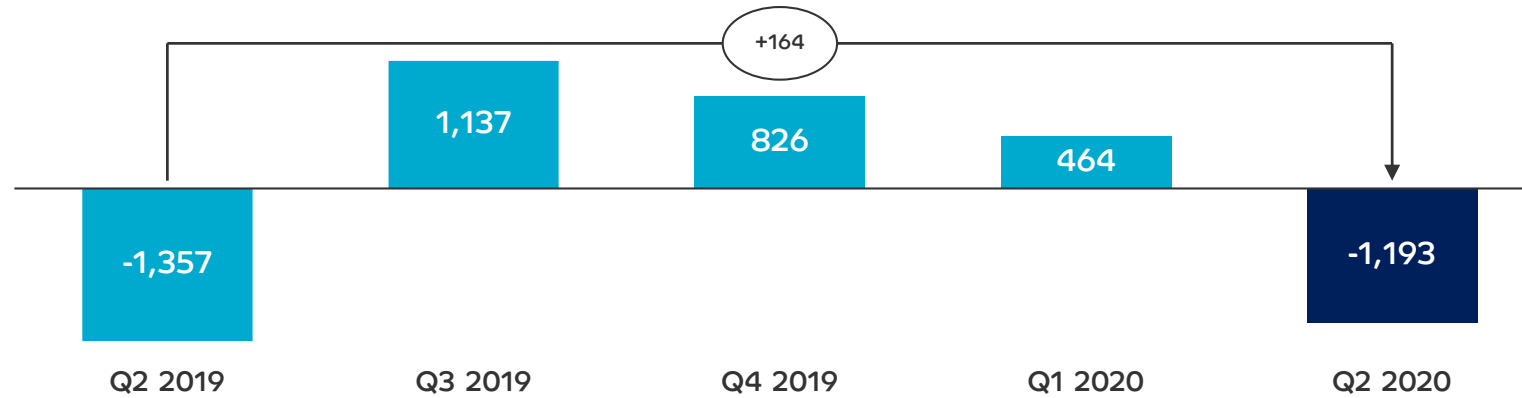
## Capex



AED Millions



## FCF\*



- Continued investment in the fixed and mobile network expansion during the quarter.
- Q2 2020 Free cash flow is better compared to last year mainly due to improvement in working capital.

- The evolution of the macro-environment will drive the speed of the ramp-up and the “new normal” levels
- Business evolution:
  - Consumer business may have reached a bottom in Q2 but there is still the risk of population shrinkage
  - Enterprise business may reach the bottom in Q3 with increased risk of bad debt
- Change program is accelerating with several initiatives to be launched in H2
- Cost efficiency measures are expected to lead to improvement of the cost structure
- Deployment plans are on track

# Appendices

# Key Performance Indicators

AED Millions	Second Quarter Analysis			First Half Analysis		
	Q2 2019	Q2 2020	% Change	H1 2019	H1 2020	% Change
Revenues	3,189	2,668	(16.3%)	6,329	5,656	(10.6%)
Fixed revenues	617	645	4.6%	1,228	1,287	4.8%
Mobile revenues	1,694	1,305	(23.0%)	3,351	2,808	(16.2%)
Other revenues	878	718	(18.2%)	1,750	1,562	(10.7%)
EBITDA	1,473	1,054	(28.5%)	2,892	2,319	(19.8%)
Net Income	464	215	(53.6%)	913	570	(37.5%)
Capex	286	509	78.0%	467	819	75.3%
Free Cash Flow <sup>(1)</sup>	(1,357)	(1,193)	12.1%	(369)	(729)	(97.6%)
Mobile subscriber base <sup>(2)</sup> (thousands)	8,066	6,418	(20.4%)	8,066	6,418	(20.4%)
Fixed subscriber base <sup>(3)</sup> (thousands)	212	226	6.8%	212	226	6.8%

(1) Free Cash Flow represents the amount of cash generated from operational activities minus cash generated from investment activities and royalty payments

(2) Mobile subscriber base refers to the active base as per the TRA definition: an active subscriber is a subscriber that has made any transaction, including a non-billable transaction, in last 90 days.

(3) Fixed subscriber base refers to subscribers having an active subscription plan (having access to service) for consumer segment.

# Thank you.

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