

# Q3 2020 Results

Emirates Integrated Telecommunications Company PJSC



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## Start of first signs of macro environment recovery but uncertainty remains

**The release of lockdown constraints led to gradual improvement of the business drivers:**

- Opening of the shops with safety measures
- Re-initiation of travel activity leading to slight improvement of roaming
- Increase of mobility leading to a reduction of the Wifi-offload impact
- Overall revenue is stabilized in Q3 2020

**... However, there is still a high level of uncertainty related to:**

- The speed of recovery
- The impact of a potential second wave
- Decline in population as a result of several lay-offs in impacted sectors
- The Price pressure in enterprise segment as a result of slow economic activity
- The long term impact resulting from the adoption of VoIP/Video application

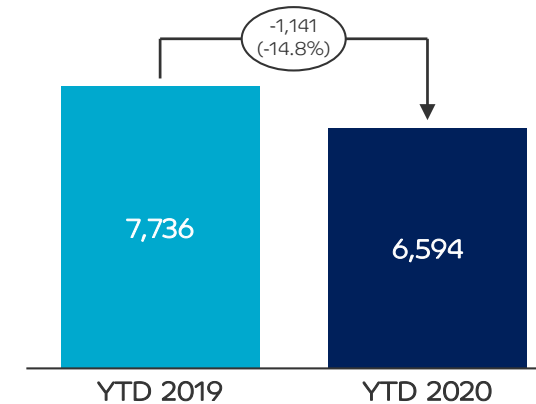
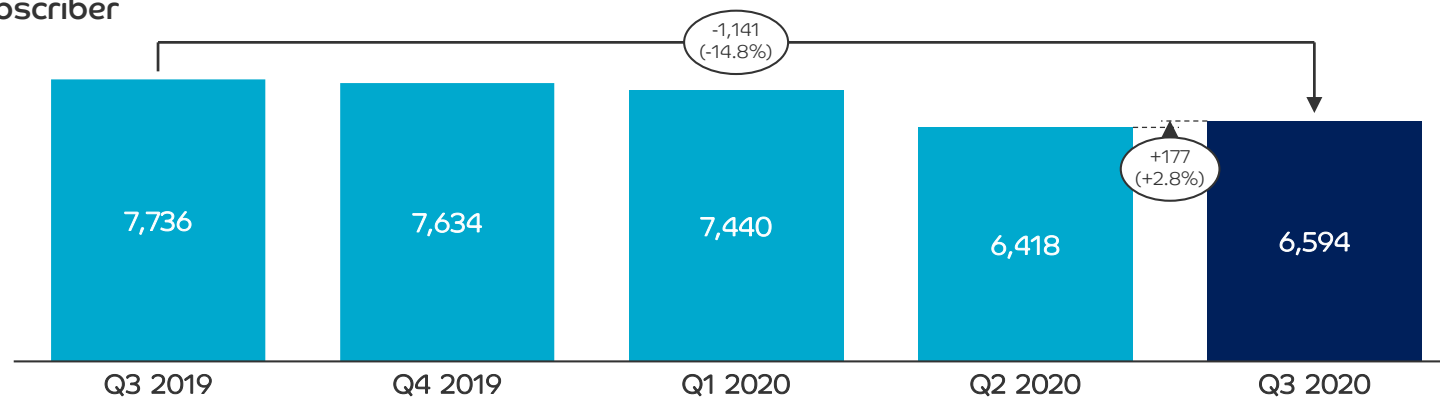
## Operating model evolution and maintaining the transformation plans

- **Appointments and Operating Model:**
  - Appointment of Mr. Fahad Al Hassawi as an Acting CEO and Mr. Ahmed Julfar as Managing Director to ensure an efficient interaction between the executive team and the board
  - Appointment of a new executive committee consistent with the new organization
  - New operating model to allow better customer service, focus on innovation and the build-up of a full digital powerhouse
- **Transformation plans defined by the executive team with the support of the board are “intact”:**
  - Continuation of the 5G deployment according to plan
  - Continuation of the implementation of the IT transformation strategy
  - Building a dynamic organization with new culture
- **The sale of 26% of Khazna contributed to the improvement of the financials of the quarter, increased the solidity of the liquidity situation of the company and the strength of its balance sheet**

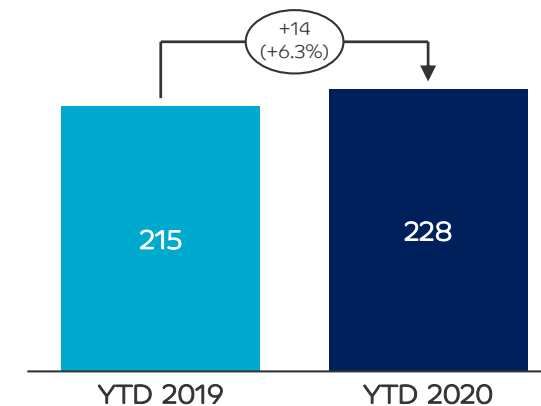
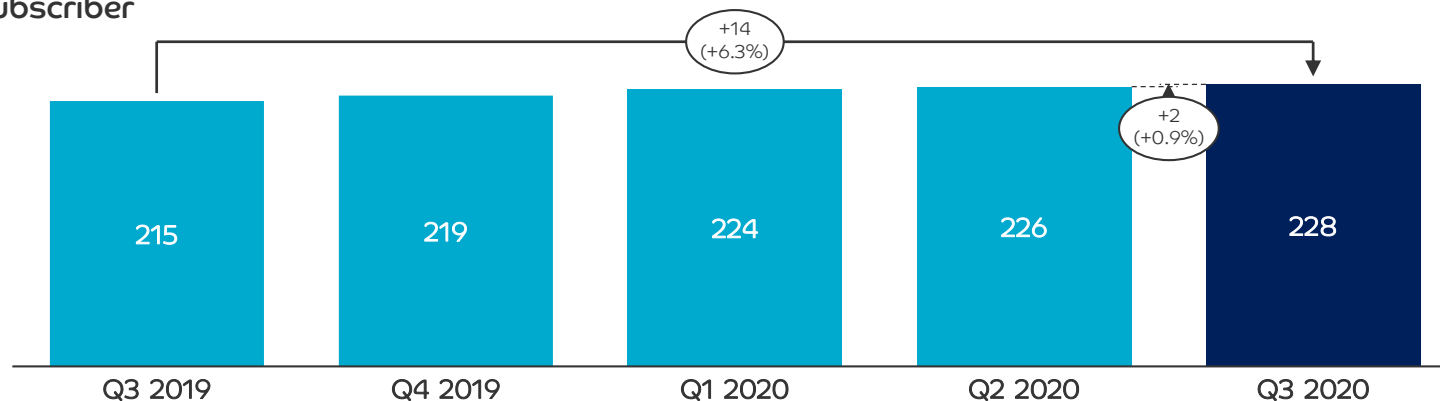
# Start of the recovery of the mobile base and continuation of the growth of the fixed base

In '000

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



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

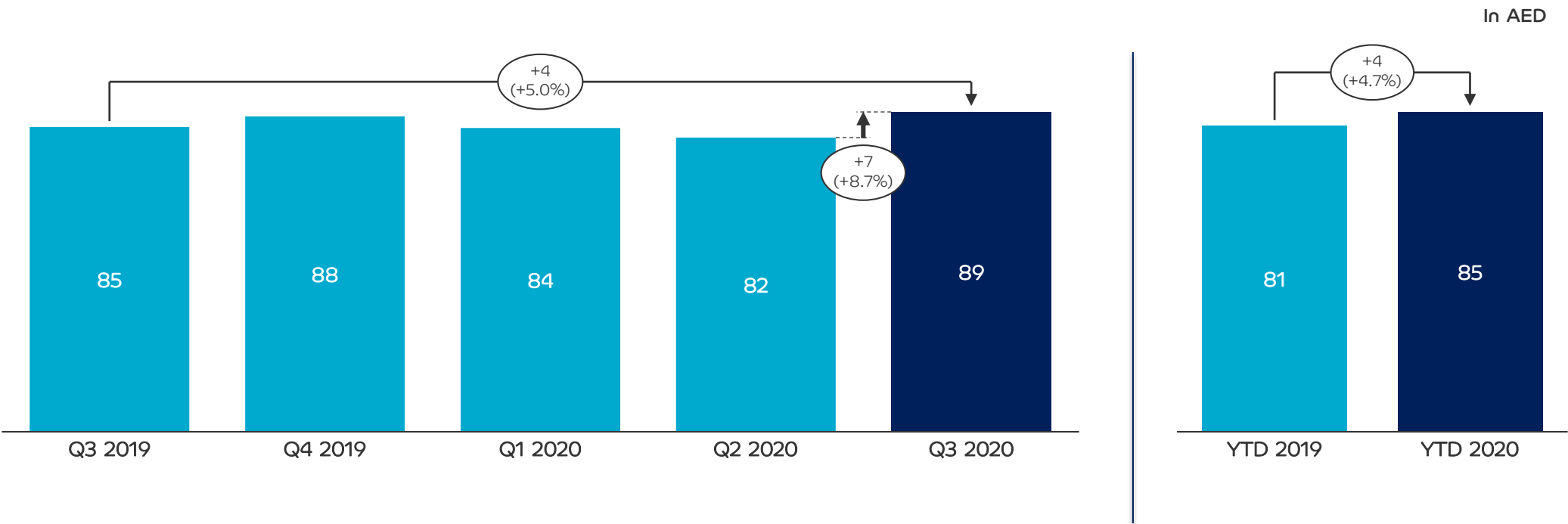


- With the release on the mobility constraints, the company registered an increase of 2.8% in its mobile base after four consecutive quarters of erosion
- The fixed base recorded a slight increase of 0.9% QoQ and a solid 6.3% growth YoY reflecting the continuation of the focus on the fixed business. Potential pressure remains as a result of the future evolution of the demographics in UAE

(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

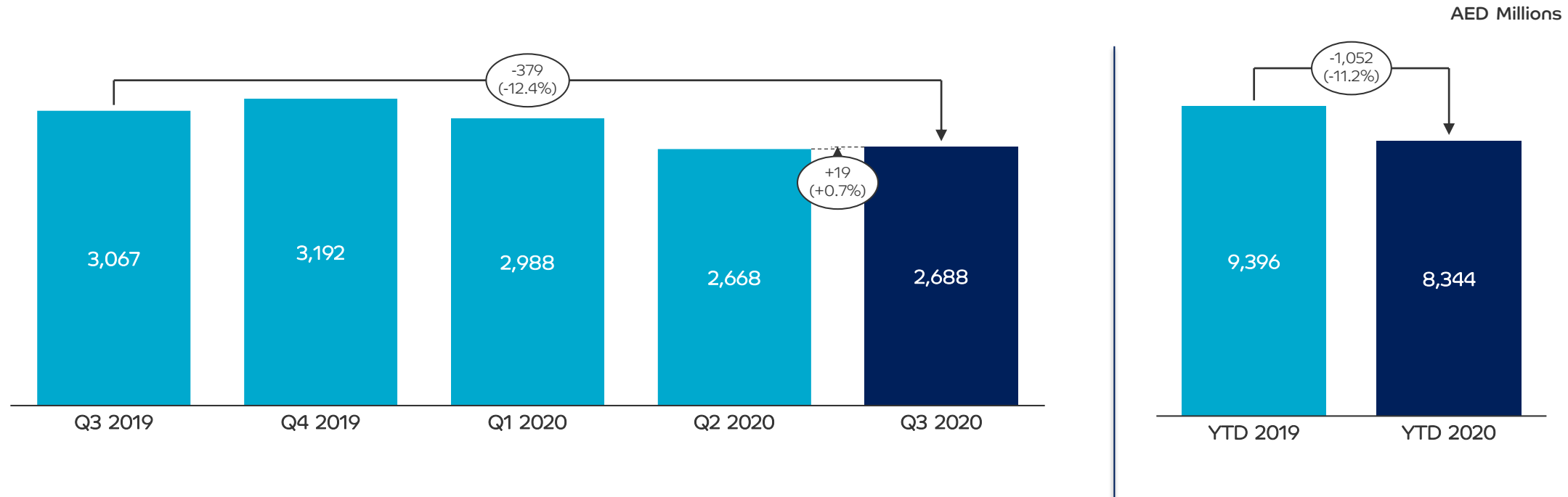
(2) Fixed Subscriber base are unique subscribers having active subscription plan (having access to service) for consumer segment.

# ARPU growth reflecting improvement of mobility



- Q3 ARPU increased 8.7% compared to the previous quarter and 5% YoY reflecting a reduction of the Wifi-offload impact that reached its maximum in Q2

## First signs of recovery and improvement of revenue mix

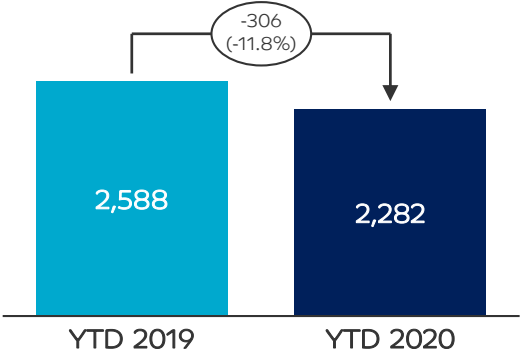
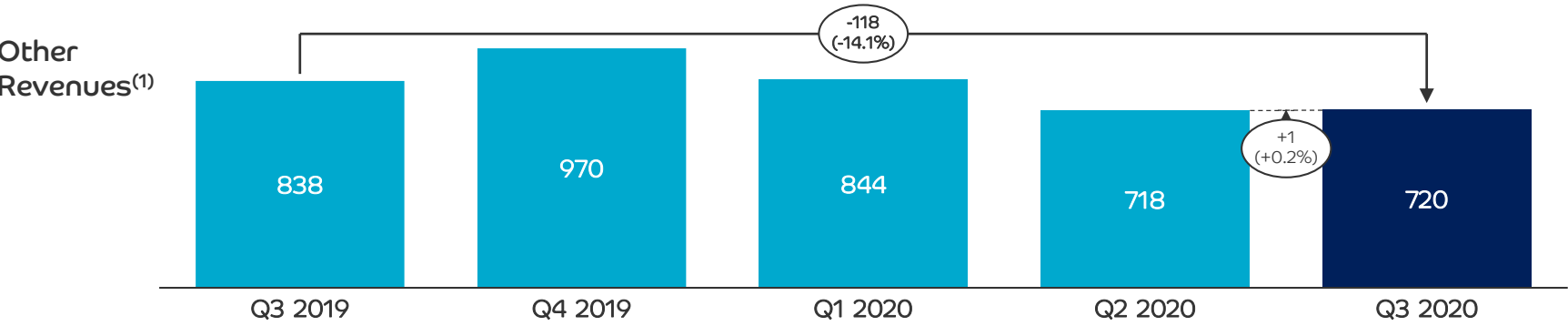
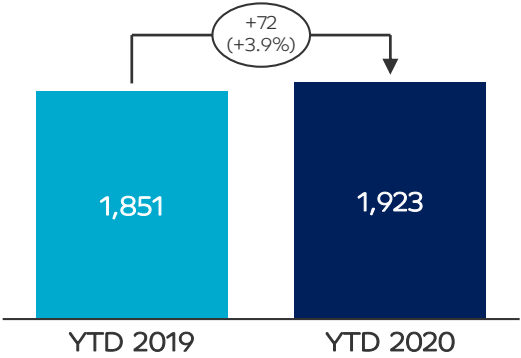
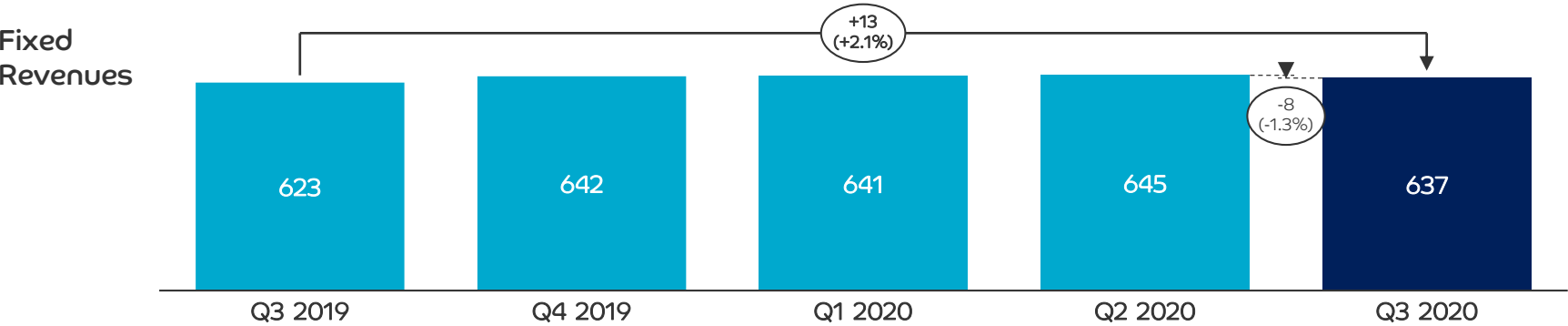
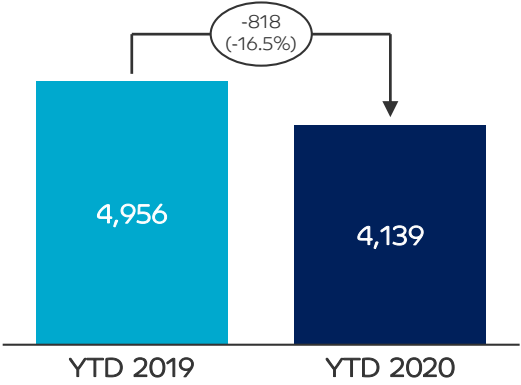
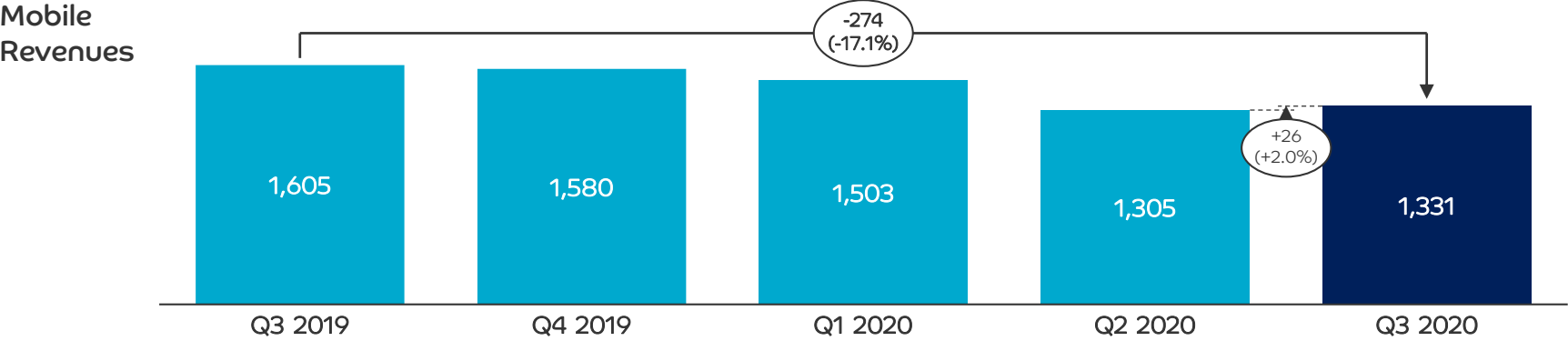


**Q3 revenues increased by 0.7% compared to the second quarter reflecting the improved mobility and a better mix:**

- Mobile revenues increased by 2% QoQ
- Fixed revenues registered a slight erosion QoQ but the YoY growth of 2.1% continued to contain partially the erosion of the mobile revenues
- "Other revenues" are almost flat QoQ reflecting an improvement of profitable roaming revenues compensated by a reduction of the low margin hubbing revenues and leading therefore to a better mix/better gross margin.

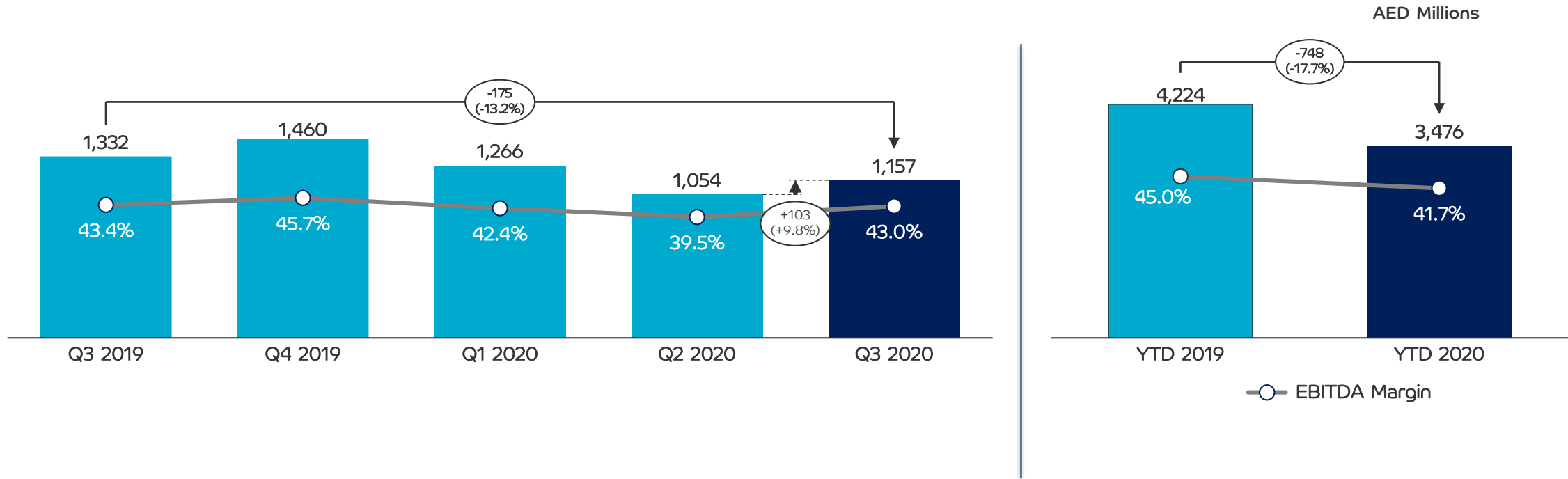
# Recovery signs in mobile revenues and stabilization of the other segments

AED Millions



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

## Strong EBITDA improvement QoQ thanks to cost efficiency measures

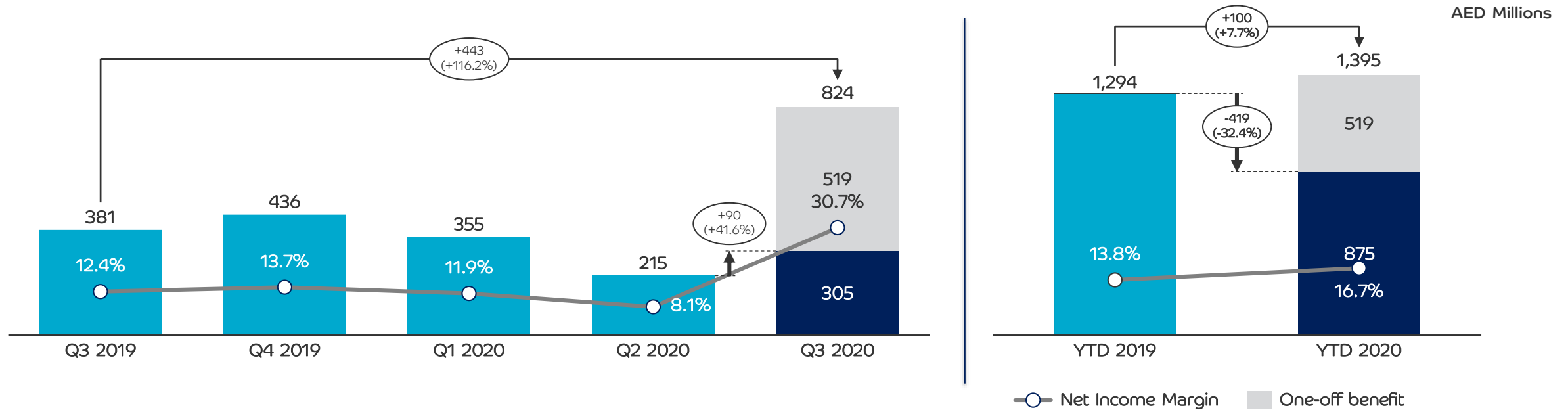


Q3 EBITDA, at 1,157 MAED, recovered from its lowest level in Q2, resulting in a 9.8% growth QoQ thanks to:

- A better revenue mix resulting from the start of prepaid recovery
- The first results of the cost efficiency initiatives
- The lower level of bad debt provisions related to a reduction of the risk compared to Q2

Q3 EBITDA margin is at 43%, 3.5 pts better than Q2 and almost flat YoY

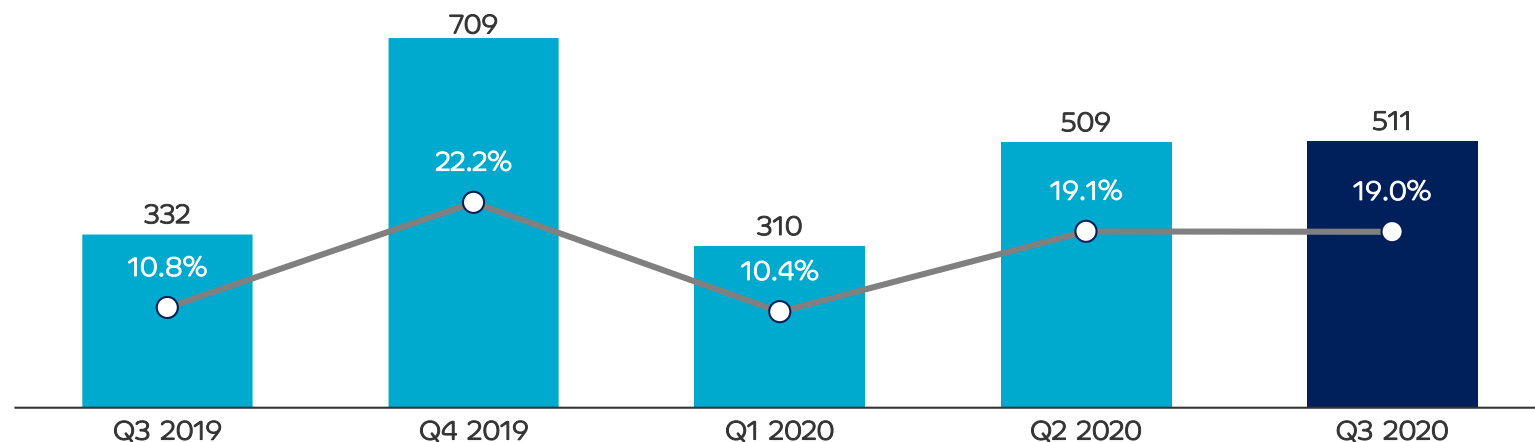
# Significant improvement of Net Income fueled by the capital gains on the sale of Khazna stake **eitc**



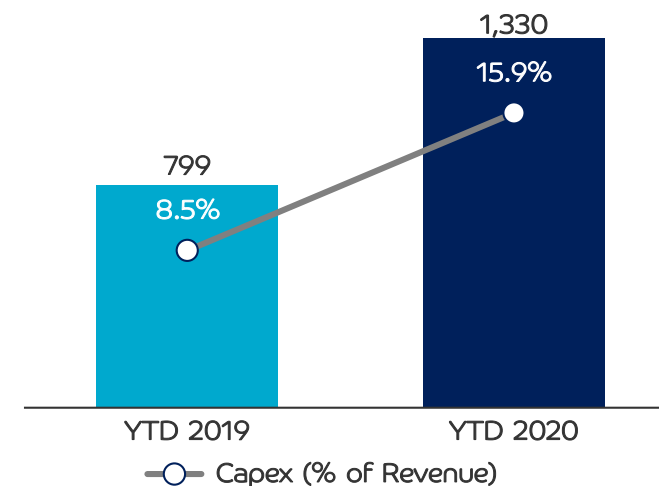
- The net income reflected both the improvement of EBITDA and post-EBITDA items as well as 519 MAED capital gain resulting from the sale of the 26% stake in Khazna for a total consideration of 800 MAED.
  - Q3 net income, at 824 MAED, is more than double the one of Q3 last year and almost quadruple the one of last quarter.
  - Without Khazna positive impact, Q3 net income increase by 42% compared to the one of last quarter.
- The net income for the first 9 months increased by 7.7% compared to the one of last year.

# Continuation of the deployment plans and strong cash flow generation

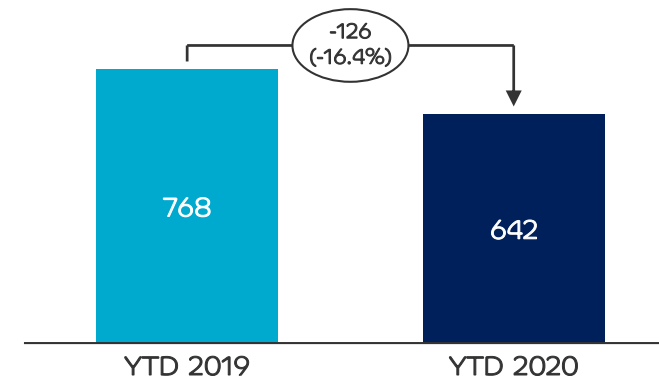
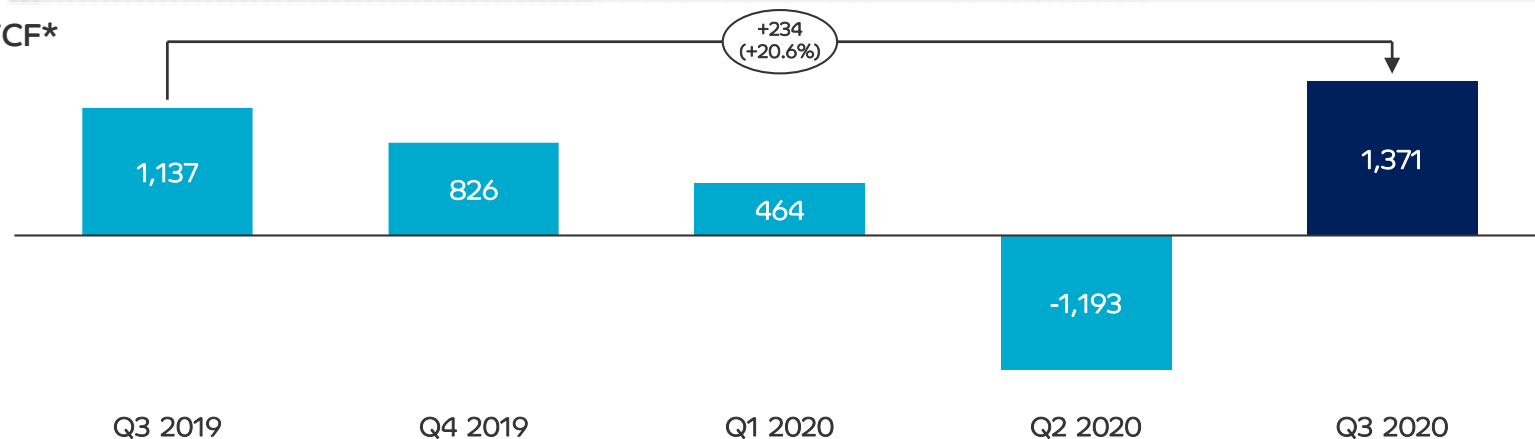
Capex



AED Millions



FCF\*



- With 511 MAED quarterly Capex and 19% capital intensity, the Company continued the deployment of its infrastructure as per its plans.
- Q3 cash flow generation increased by more than 20% YoY driven by better [working capital management] and the proceeds of the sale of Khazna stake (800 MAED).

\* FCF: Free cash flow is post royalty payment

# The way forwards: Monitoring of the recovery, focus on the operations in an environment that remains uncertain

Despite positive signs in Q3, the outlook continues to present few uncertainties:

- Evolution of the general macro
- Evolution of the population
- Change of consumption habits

The Company continues the focus on its operations:

- Conducting its transformation plan
- Optimizing its cost structure
- Deploying its 5G infrastructure
- Adjusting in an agile way to the evolution of the situation

# Appendices

## Key Performance Indicators

AED Millions	Third Quarter Analysis			YTD 2020 Analysis		
	Q3 2019	Q3 2020	% Change	YTD 2019	YTD 2020	% Change
Revenues	3,067	2,688	(12.4%)	9,396	8,344	(11.2%)
Fixed revenues	623	637	2.1%	1,851	1,923	3.9%
Mobile revenues	1,605	1,331	(17.1%)	4,956	4,139	(16.5%)
Other revenues	838	720	(14.1%)	2,588	2,282	(11.8%)
EBITDA	1,332	1,157	(13.2%)	4,224	3,476	(17.7%)
Net Income	381	824	116.2%	1,294	1,395	7.7%
Capex	332	511	54.0%	799	1,330	66.5%
Free Cash Flow <sup>(1)</sup>	1,137	1,371	20.6%	768	642	(16.4%)
Mobile subscriber base <sup>(2)</sup> (thousands)	7,736	6,594	(14.8%)	7,736	6,594	(14.8%)
Fixed subscriber base <sup>(3)</sup> (thousands)	215	228	6.3%	215	228	6.3%

(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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