

Q1 2022 results

Emirates Integrated Telecommunications Company PJSC

29 April 2022

edara



Disclaimer

This document has been prepared by Emirates Integrated Telecommunications Company PJSC (the “**Company**”) solely for presentation purposes. The information contained in this document has not been independently verified and no representation or warranty, expressed or implied, is made as to, and no reliance should be placed on, the fairness, the accuracy, the completeness or the correctness of the information contained herein. None of the Company or any of its respective affiliates, advisors or representatives shall have any liability whatsoever for any direct or indirect loss whatsoever arising from any use of this document, or contents, or otherwise arising in connection with it.

This document does not constitute an offer or invitation to purchase any share or other security in the Company and neither it nor any part of it shall form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. Before making any investment decision, an investor should consider whether such an investment is suitable for his particular purposes and should seek the relevant appropriate professional advice.

Any decision to purchase shares or other securities in the Company is the sole responsibility of the investors.

Certain information contained in this document consists of forward-looking statements reflecting the current view of the Company with respect to future events. They are subject to certain risks, uncertainties and based on certain assumptions. Many factors could make the expected results, performance or achievements be expressed or implied by such forward-looking statements (including, but not limited to, worldwide economic trends, economic and political climate of United Arab Emirates, the Middle East and changes in business strategy and various other factors) to be materially different from the actual historical results, performance achieved by the company. Should one or more of the risks or uncertainties materialize or should the underlying assumptions prove different stock movements or performance achievements may vary materially from those described in such forward-looking statements. Recipients of this document are cautioned not to place any reliance on these forward-looking statements. The Company undertakes no obligation to republish revised forward-looking statements to reflect changed events or circumstances.

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.

Agenda

- Highlights
- Operating review
- Financial review
- Appendix

Q1 2022 highlights

Recovery is gaining pace

Macro update

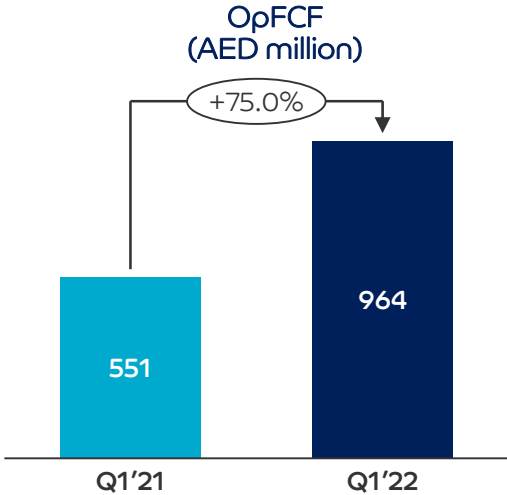
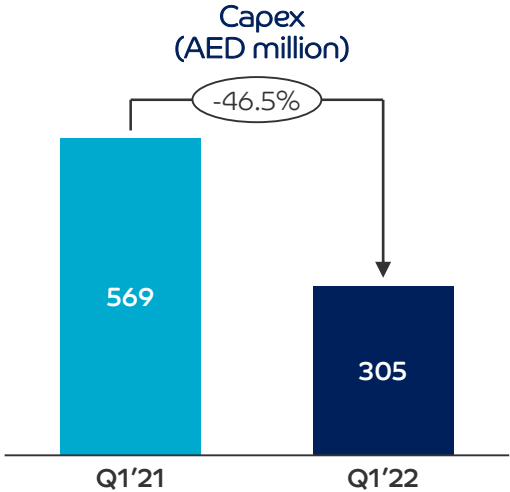
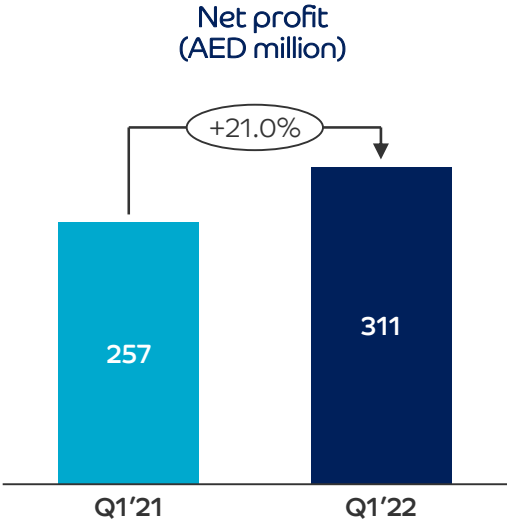
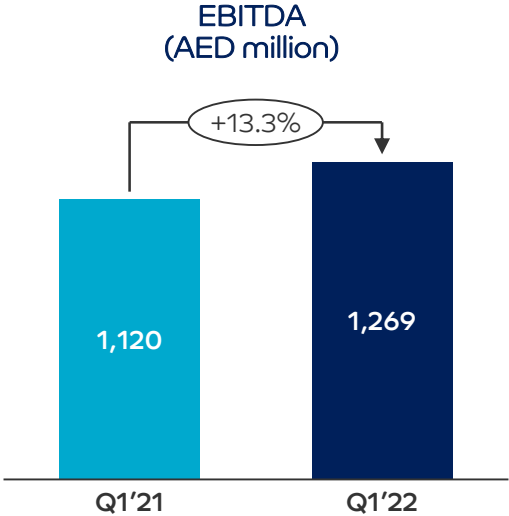
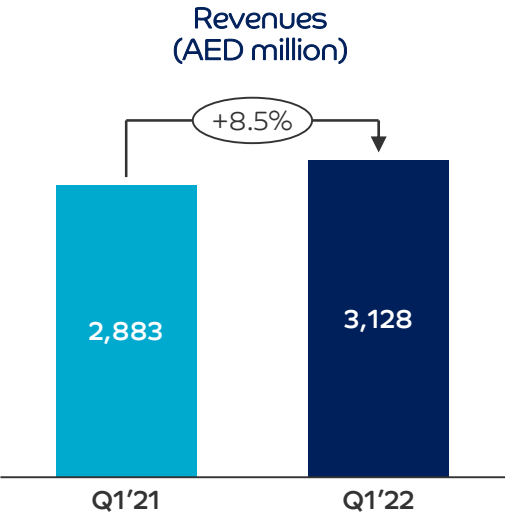
- Population recovery
 - Rebuild of the population following the release of restrictions
 - UAE's wide-ranging reforms are supportive of future population growth
- Mobility returning
 - Economic activity is normalizing
 - Tourism activity helped by EXPO 2020's success
- Economic recovery
 - Oil prices are very supportive of the UAE's fiscal position

Company update

- Mobile customer base continues its growth trajectory
 - Postpaid customer base at an all-time high
- Several commercial initiatives have been launched
- Consistent execution of broadband strategy
- Strong commercial momentum on Consumer and Enterprise segments

Financial review

Highlights



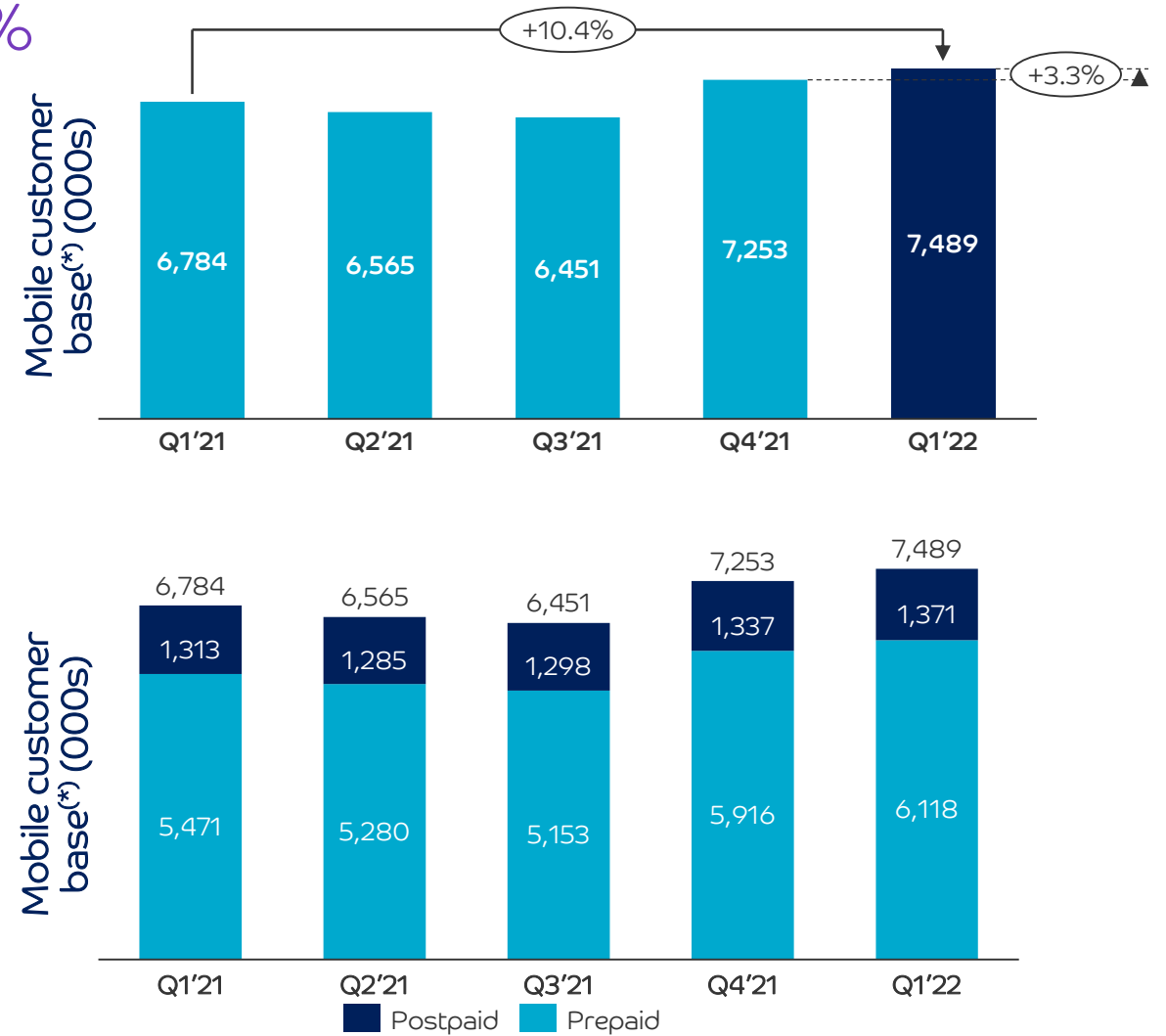
Agenda

- Highlights
- Operating review
- Financial review
- Appendix

Operating review

Mobile services: customer base +10.4%

- Mobile net-adds +237,000
 - Postpaid +34,000
 - Prepaid + 202,000
- Postpaid segment
 - Customer base at an all-time high
 - Handset financing plans continue to be an efficient acquisition tool
 - Continued improvement in economic environment is having an impact on Consumer and Enterprise demand
- Prepaid segment
 - 2nd consecutive quarter of growth
 - Key beneficiary from brisk tourism activity

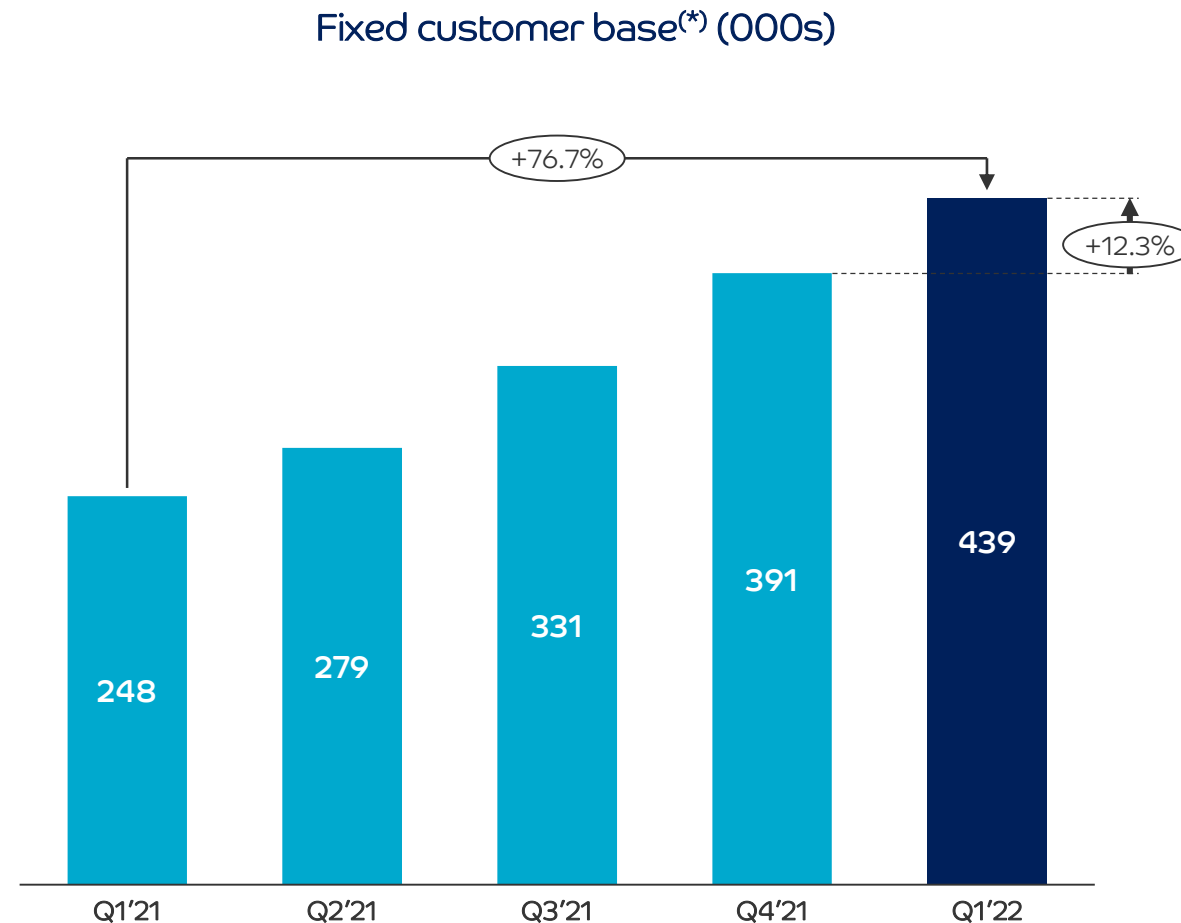


(*) Mobile customer base as per TRA definition: A customer is accounted in the base if the customer has made, in the last 90 days, a traffic activity

Operating review

Fixed services: customer base +76.7%

- Our Broadband strategy continues to deliver
 - Net-adds (+48,000) remain solid
 - Market share gains across all service categories
- Unabated demand for our consumer broadband services
 - Continued expansion of our fibre network footprint
 - Strong momentum for our innovative products and services



(*) Fixed customer base are unique consumer subscribers having active subscription plan (having access to service)

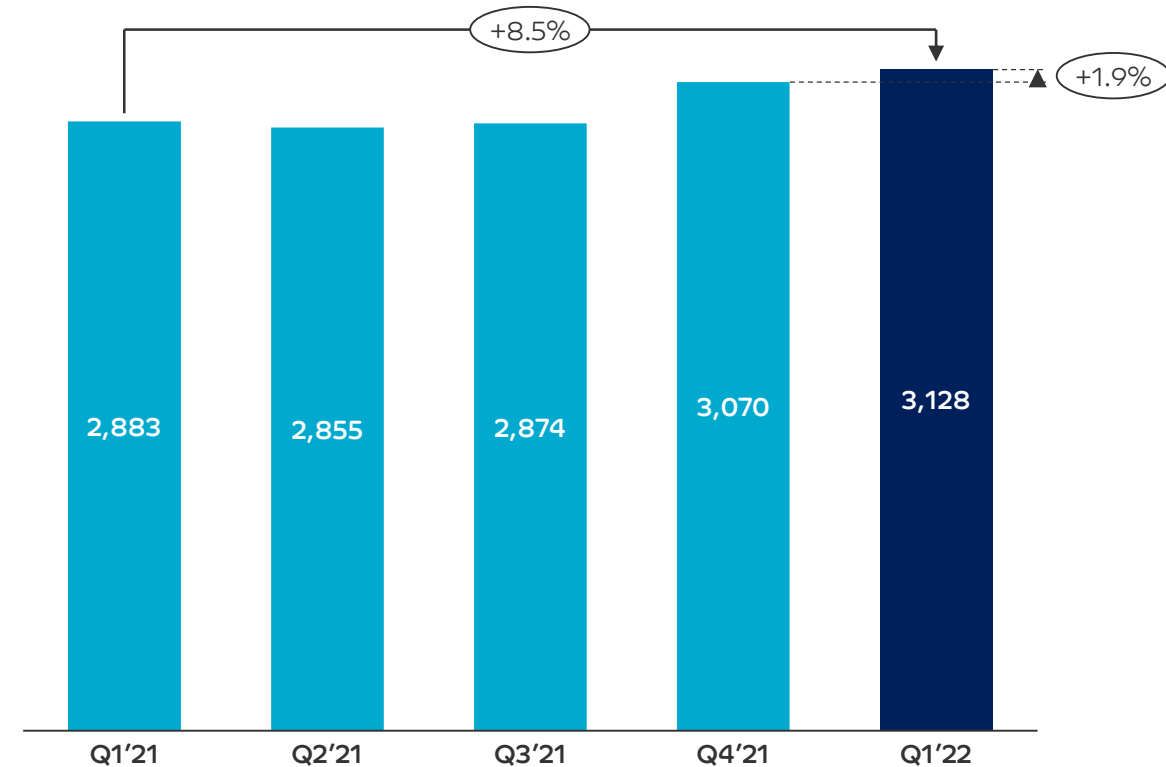
Agenda

- Highlights
- Operating review
- Financial review
- Appendix

Financial review

Revenues

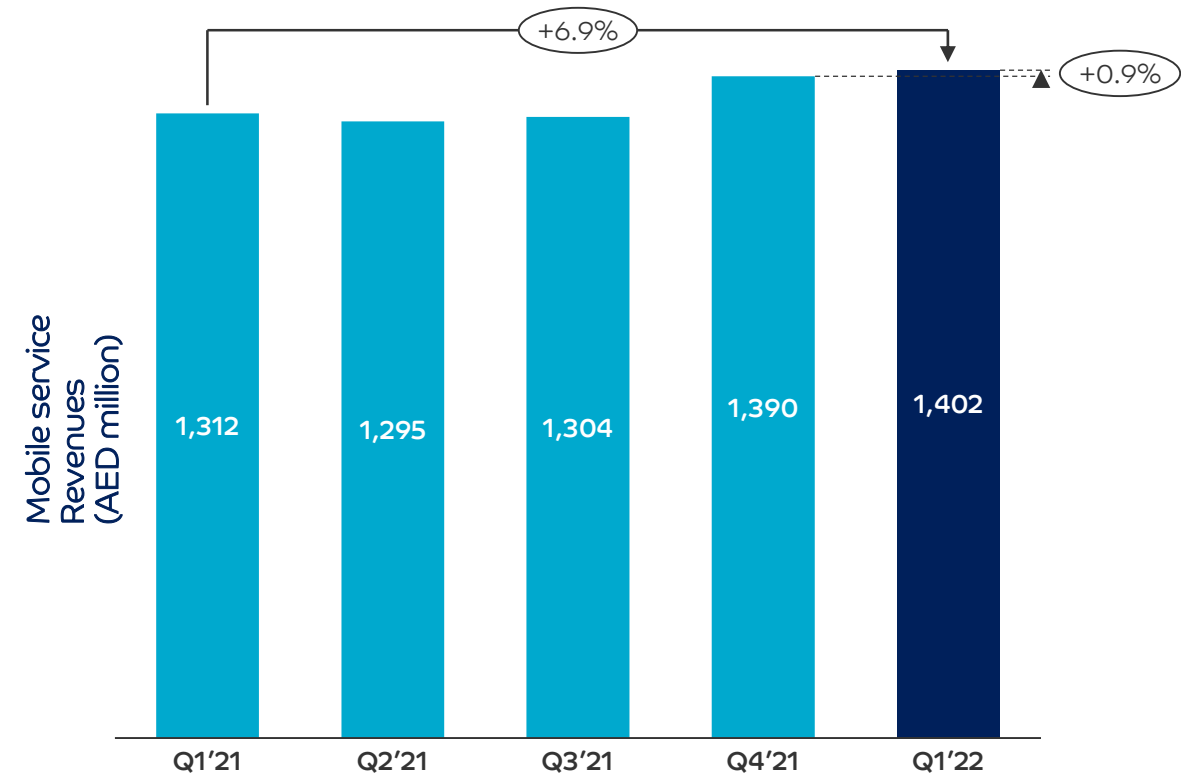
- Mobile services
 - Postpaid and Prepaid revenues are recovering...
 - ... thanks to re-alignment of offering
- Fixed services
 - Delivering on our strategy with innovative products
 - Solid commercial performance
- Other revenues
 - Wholesale revenues are stabilizing
 - Sustained demand for 5G handsets particularly via financing bundles



Financial review

Mobile revenues are recovering and confirm Q4'21 growth trend

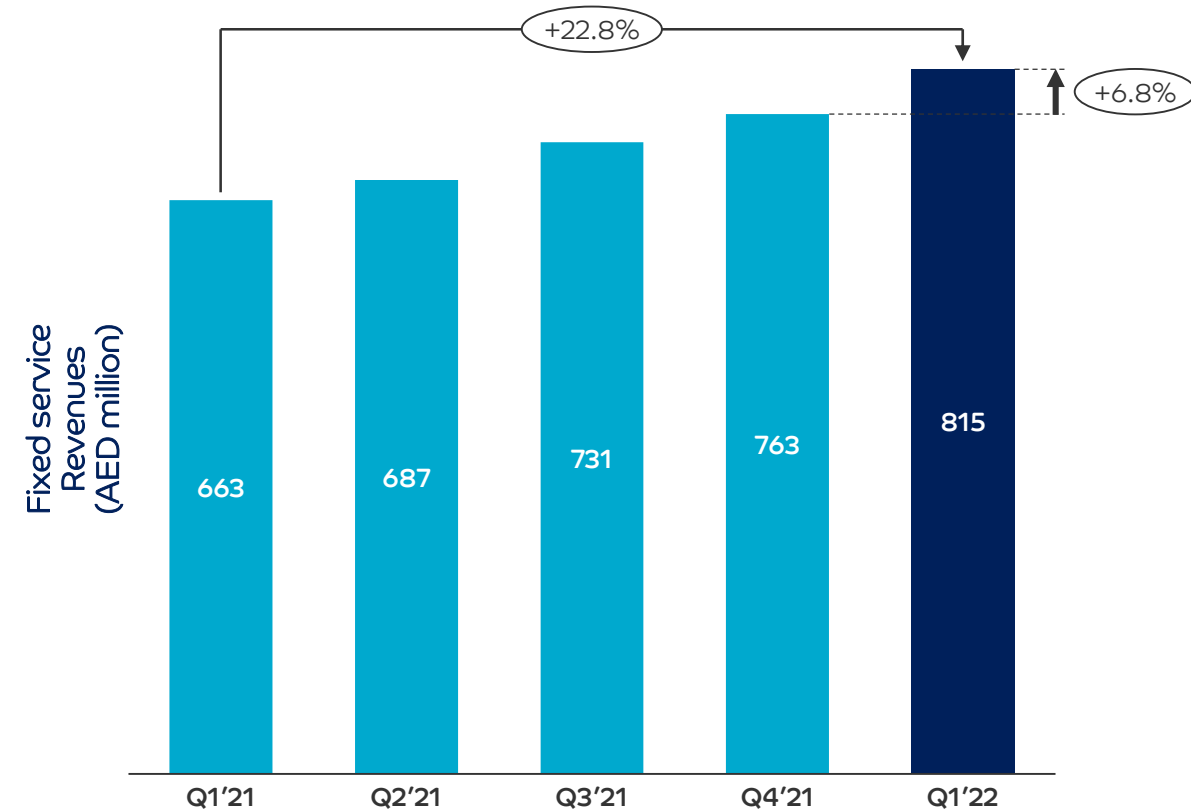
- Q3'21 was an inflection point
 - Q1'22 performance confirms the mobile service revenues growth seen in Q4'21
- Several commercial initiatives were launched to support this growth



Financial review

Sustained growth in fixed revenues

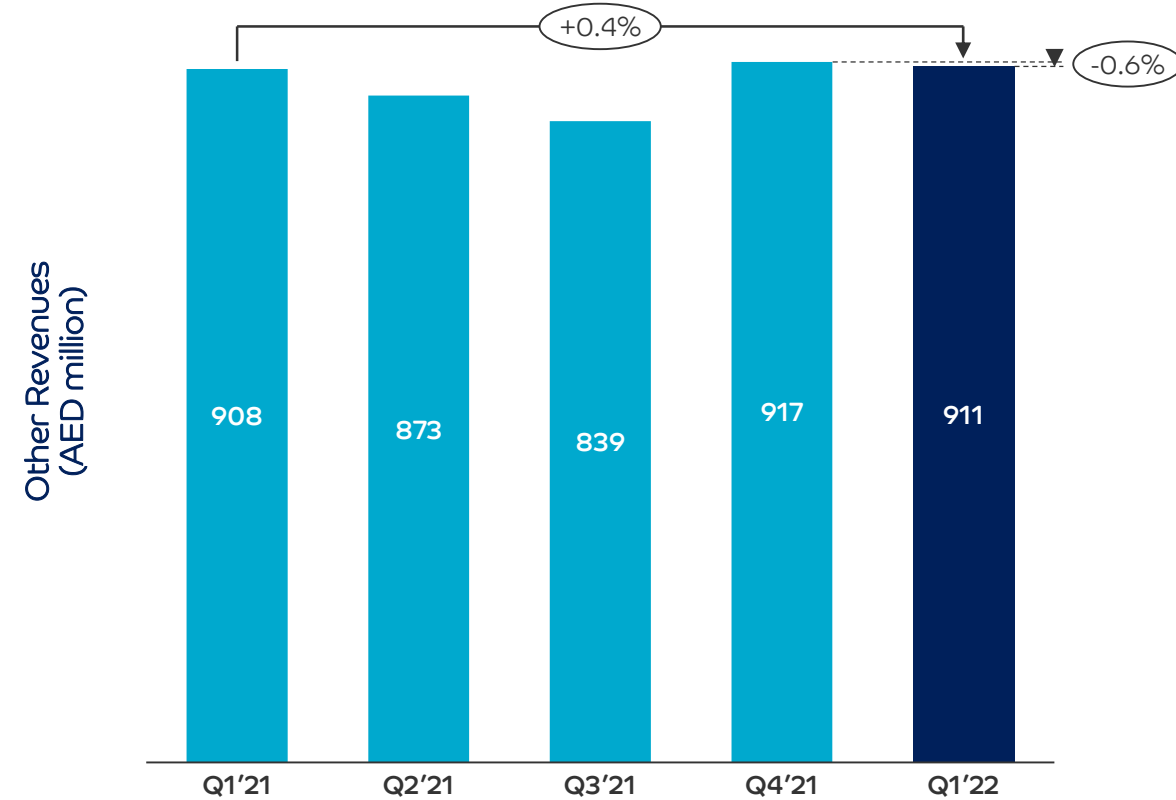
- Consumer segment was the main growth driver
 - Fibre network expansion...
 - ... and attractive and innovative offering...
 - ... are contributing to sustained net-adds (+48,000)
- Demand for Enterprise services remain very healthy
 - Cloud-base services are driving demand for connectivity services



Financial review

Other revenues

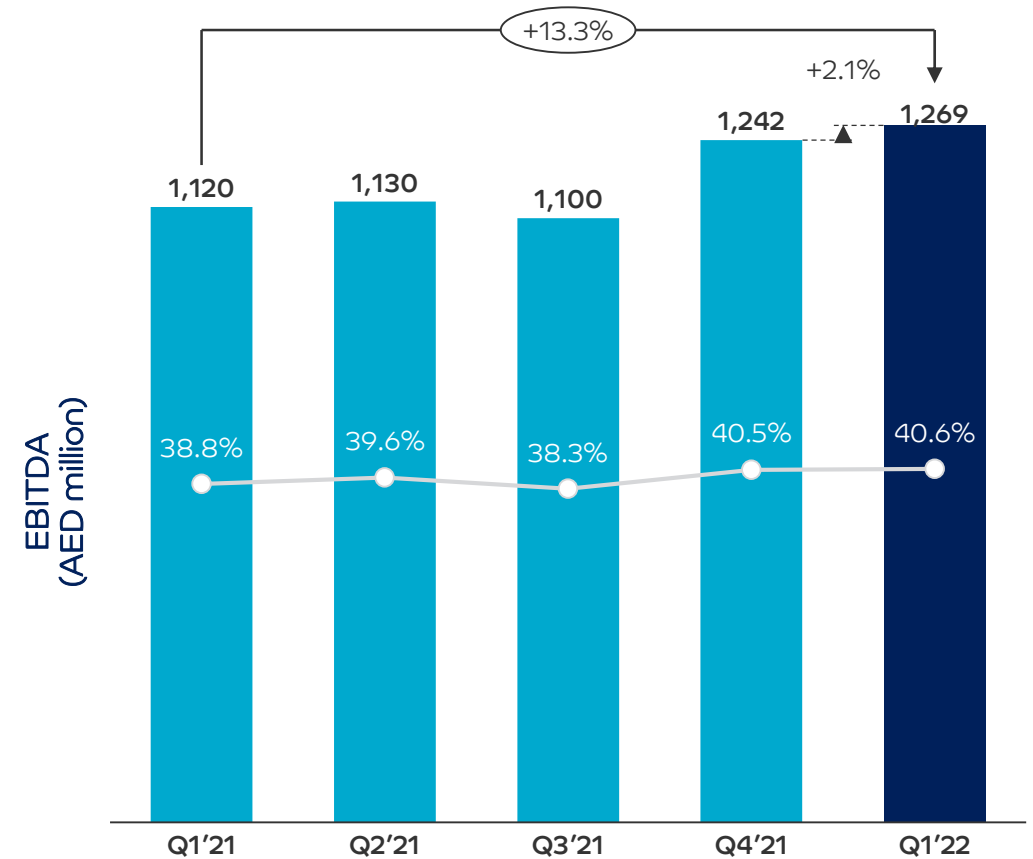
- Equipment revenues continued its growth path
 - 5G handsets continue to sell at same pace
- Wholesale revenues stabilised
- Roaming activity is increasing



Financial review

EBITDA

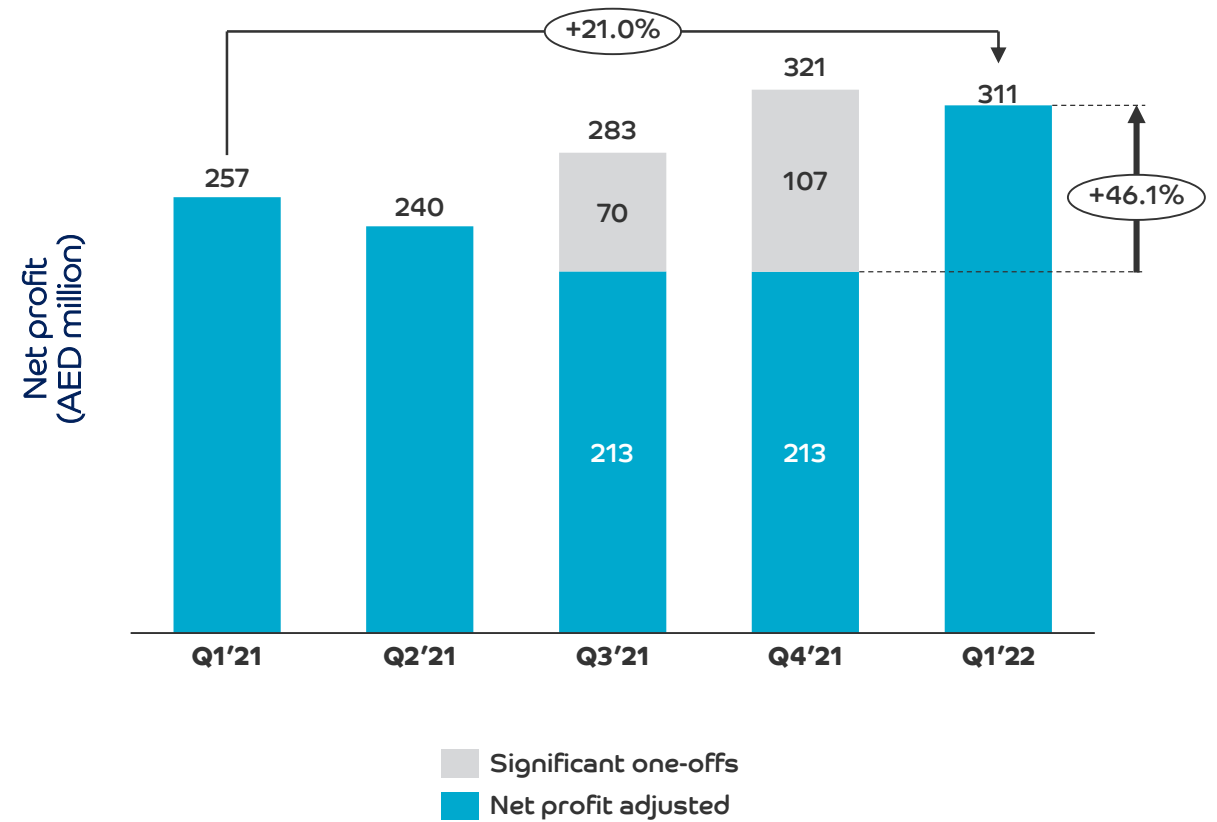
- Growth in service revenues contributed to increase in profit
 - Margin improvement +172bp
- Cost control also contributed to EBITDA improvement
- Step change in underlying EBITDA confirmed in Q1'22
 - Q4'21 EBITDA was supported by AED 96 million in non-recurrent items



Financial review

Net profit: improvement due to higher EBITDA

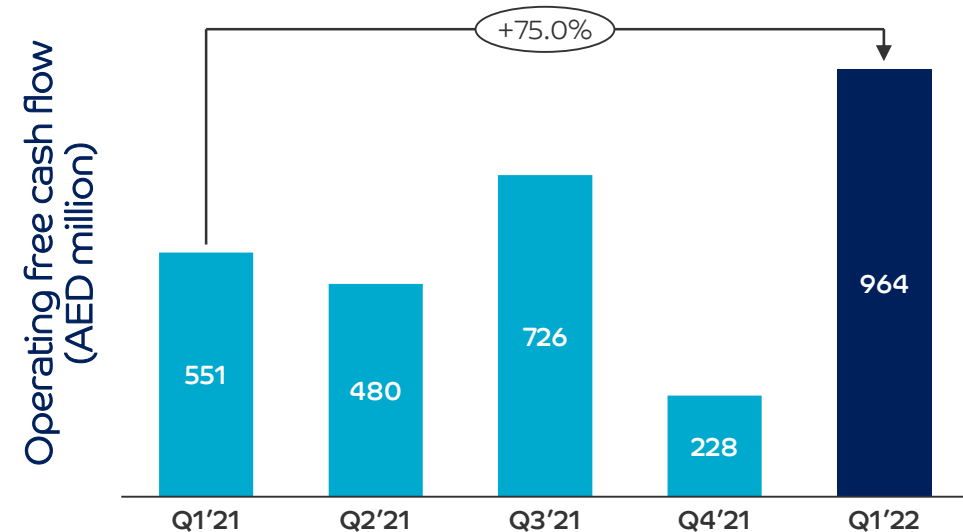
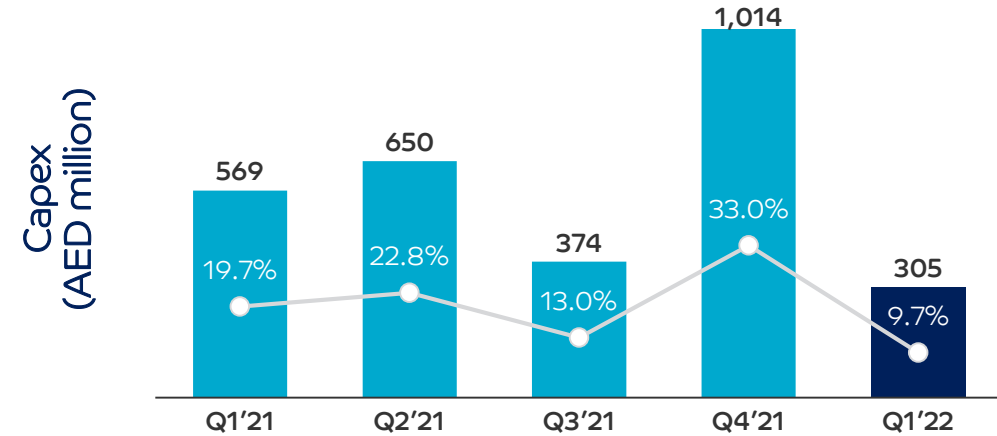
- 21% increase in net profit due to 13% growth in EBITDA
- Depreciation charges: increase due to previous capex spend
- Federal royalty expense: increase due to improved profitability



Financial review

Capex and operating free cash flow

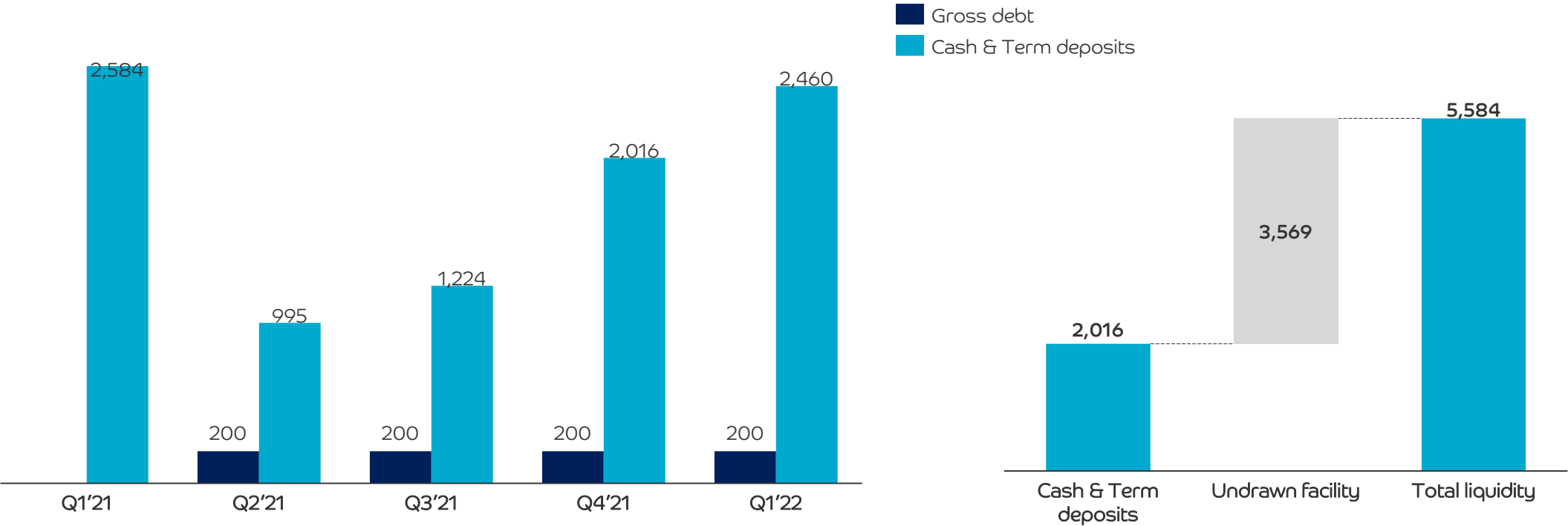
- Lower Capex due to seasonality
 - 2022 spend is skewed towards the second half
 - Capital intensity is starting to normalize
- Operating free cash flow returns to growth
 - EBITDA improving
 - Capex starting to normalize



Financial review

Strong balance sheet and high liquidity

(AED million)



Outlook

2022

- Return to normality
 - Authorities are gradually peeling remaining social distancing measures
- Macro
 - Oil prices are supportive of UAE's fiscal position
 - Macro data points to acceleration of recovery
 - Social and economic reforms will cement the UAE's position as a global hub
- Our ambition investment programme continues
 - Mobile: we will continue 5G rollout and network densification
 - Fixed: we are expanding fibre footprint
 - IT: modernisation and transformation will continue

Agenda

- Highlights
- Operating review
- Financial review
- Appendix

Appendix

Operating KPI

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1
Mobile customers ('000s), of which	7,440	6,418	6,594	6,658	6,784	6,565	6,451	7,253	7,489
Postpaid	1,363	1,262	1,265	1,271	1,313	1,285	1,298	1,337	1,371
Prepaid	6,077	5,156	5,330	5,386	5,471	5,280	5,153	5,916	6,118
Net-adds ('000s), of which	-194	-1,022	177	63	126	-219	-114	802	237
Postpaid	9	-101	3	6	41	-27	13	39	34
Prepaid	-204	-921	174	57	85	-191	-127	763	202
Mobile ARPU (AED)	84	82	89	88	87	88	90	91	88
Broadband customers ('000s)	224	226	228	236	248	279	331	391	439
<i>Net-adds ('000s)</i>	<i>5</i>	<i>2</i>	<i>2</i>	<i>7</i>	<i>13</i>	<i>31</i>	<i>52</i>	<i>59</i>	<i>48</i>

Appendix

P&L

Summary P&L

AED million	2021 Q1	2022 Q1	change
Revenues	2,883.3	3,128.1	8.5%
Direct costs	-1,077.9	-1,132.4	5.1%
Indirect costs	-685.5	-726.9	6.0%
Other income	0.1	0.2	133.1%
EBITDA	1,120.0	1,268.9	13.3%
<i>margin</i>	<i>38.8%</i>	<i>40.6%</i>	<i>1.7%</i>
Depreciation, amortization	-383.5	-423.4	10.4%
Goodwill impairment	0.0	0.0	N/M
Depreciation of right-of-use assets	-91.3	-90.4	-1.0%
EBIT	645.2	755.1	17.0%
Net finance costs	6.6	2.8	-57.3%
Interest expense on lease liabilities	-21.7	-17.9	-17.8%
Income from associates	-0.8	-2.6	215.7%
Gain/loss on disposal of associates	0.0	0.0	N/M
Profit before federal royalty	629.3	737.5	17.2%
Federal royalty	-372.2	-426.3	14.6%
Net profit	257.1	311.2	21.0%
EPS	AED 0.06	AED 0.07	AED 0.21
DPS	AED -	AED -	N/M

Appendix

Cash flow statement

AED million	2021 Q1	2022 Q1
Net profit	257	311
Adjustments for non-cash items		
Finance costs	4	6
Finance income	-11	-9
(Gain) loss on disposal of associates	0	0
Income from associates	1	3
Goodwill impairment	0	0
Depreciation of property, plant and equipment	331	364
Impairment of property, plant & equipment, intangible assets	11	20
(Gain) loss on disposal of property, plant and equipment	0	0
Amortization of intangible assets	42	40
Depreciation of right-of-use assets	91	90
Interest expense on lease liabilities	22	18
Provision for EOSB	8	6
Release for EOSB	0	0
Provision for impairment of trade receivable	39	0
Provision for impairment of contract assets	7	0
Provision for inventory obsolescence	0	0
Provision for impairment on term deposits	0	0
Provision for impairment on dues from related parties	6	0
Adjustment for change in discount rate	0	0
Unwinding of discount on asset retirement obligation	2	2
	552	539
Change in working capital		
(Increase)/Decrease in Inventories	-56	-5
(Increase)/Decrease in Trade & other receivables	-99	-149
Increase/(Decrease) in Trade & other payables	488	388
(Increase)/Decrease in Contract assets	-123	-57
Increase/(Decrease) in Contract liabilities	-17	2
(Increase)/Decrease in Due from related parties	44	-10
Increase/(Decrease) in Due to related parties	2	2
	239	171
Cash generated from operations	1,049	1,021
Royalty paid (net)	0	0
Payment of employees' end of service benefits	-7	-6
Net cash generated from operating activities	1,042	1,015

	2021 Q1	2022 Q1
Purchase of property, plant and equipment	-596	-503
Purchase of intangible assets	-39	-42
Proceeds from disposals of property, plant and equipment	0	0
Proceeds from disposals of intangible assets	0	0
Payment of license	0	0
Payment for additional investments accounted for using equity method	0	0
Proceeds from disposal of investments accounted for using equity method	0	0
Interest received	2	3
Margin on guarantee released	0	0
Term deposit released (placed)	0	-300
Net cash used in investing activities	-632	-841
Repayment of lease liabilities	-43	-39
Dividends paid	0	0
Interest paid	-25	-3
Interest paid on lease liabilities	0	-18
Due from related parties	0	0
Net cash used in financing activities	-68	-60
Net change in cash and cash equivalents	342	113

Appendix

Balance sheet

AED million	As at 31-Dec-21	As at 31-Mar-22
Property, plant and equipment	9,068	8,955
Right-of-use assets	1,650	1,603
Intangible assets	446	442
Goodwill	413	413
Lease receivable	139	128
Associates	24	22
Financial assets	18	18
Derivatives financial instruments	0	0
Trade receivables	83	83
Contract assets	273	328
	12,116	11,992
Inventories	58	65
Trade receivables	1,325	1,246
Other receivables	503	479
Deferred fees	0	209
Prepaid expenses	133	160
Lease receivable	16	20
Derivatives financial instruments	0	0
Contract assets	463	457
Due from related parties	49	58
	2,548	2,692
Term deposits	1,374	1,674
Cash and cash equivalent	641	786
	2,016	2,460
	16,679	17,145

AED million	As at 31-Dec-20	As at 30-Jun-21
Share capital	4,533	4,533
Share premium	232	232
Retained earnings	1,748	1,530
Statutory reserves	2,018	2,050
	8,532	8,344
Borrowings - non-current	0	0
Borrowings - current	200	200
Vendor financing - non-current	0	0
Vendor financing - current	0	0
Notes payable - non-current	0	0
Notes payable - current	0	0
	200	200
Lease liabilities - non-current	1,553	1,507
Lease liabilities - current	672	723
Contract liabilities - non-current	247	239
Contract liabilities - current	439	449
Provisions for decommissioning	199	202
Due to related parties	7	9
	3,116	3,129
Trade payables	1,376	1,297
Other payables	1,717	1,511
Accrued federal royalty	1,500	1,926
Provision for employees' end of service benefits	238	239
Dividends payable	0	499
Deferred revenues	0	0
	4,831	5,472
	16,679	17,145

edara



Emirates Integrated Telecommunications Company PJSC