

# Q2 2022 Results

Emirates Integrated Telecommunications Company PJSC

22 July 2022



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# Agenda

- Highlights
- Operating review
- Financial review
- Appendix

# Q2 2022 highlights

## Recovery is gaining pace

### Macro update

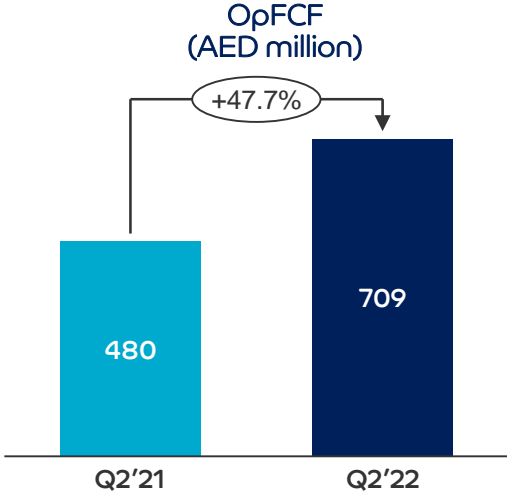
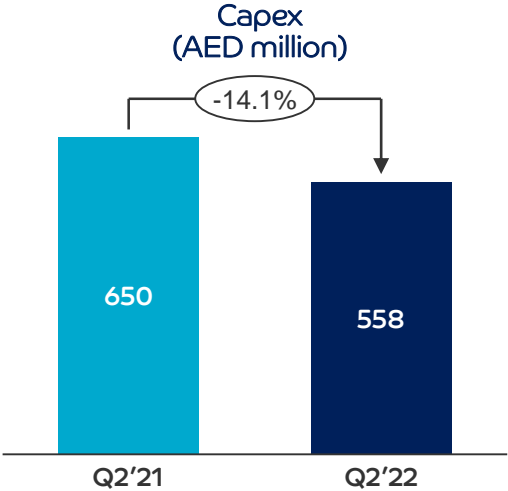
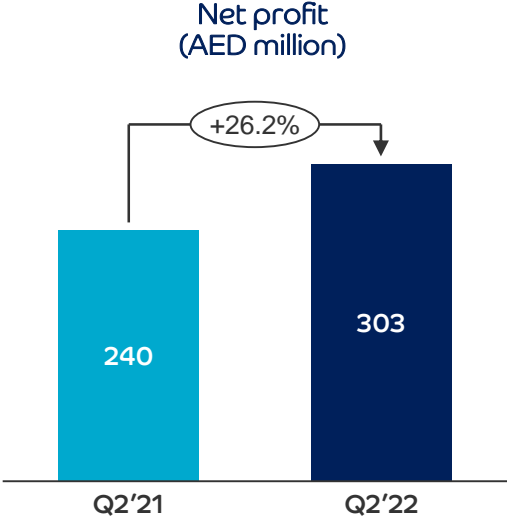
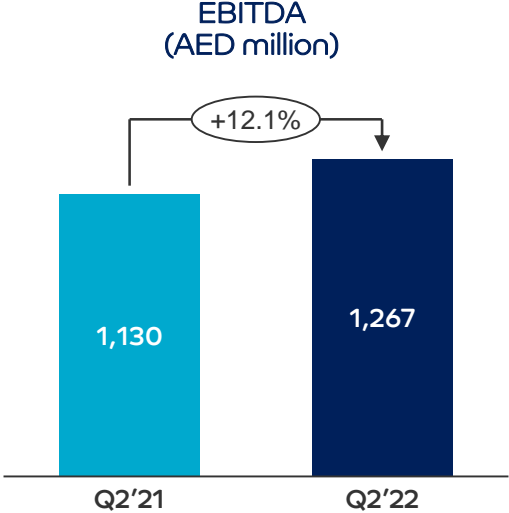
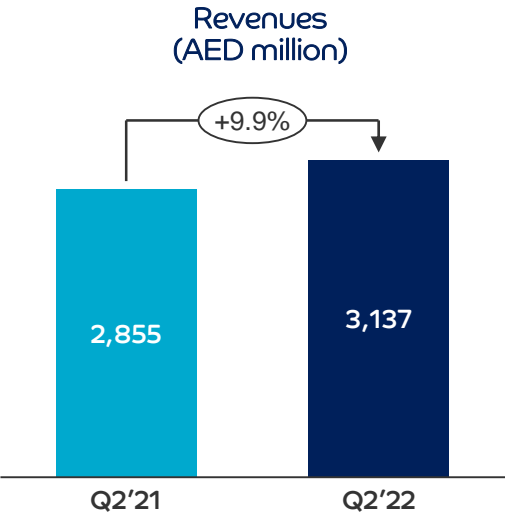
- First “normalized” quarter post COVID and Expo 2020
- Confirmation of population recovery
  - UAE is cementing its status as a global economic hub
  - UAE’s wide-ranging reforms are supportive of future population growth
- Economy back in growth mode
  - Oil prices are very supportive of the UAE’s fiscal position...
  - ... but building up inflationary pressure in the country

### Company update

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

# Financial review

## Highlights



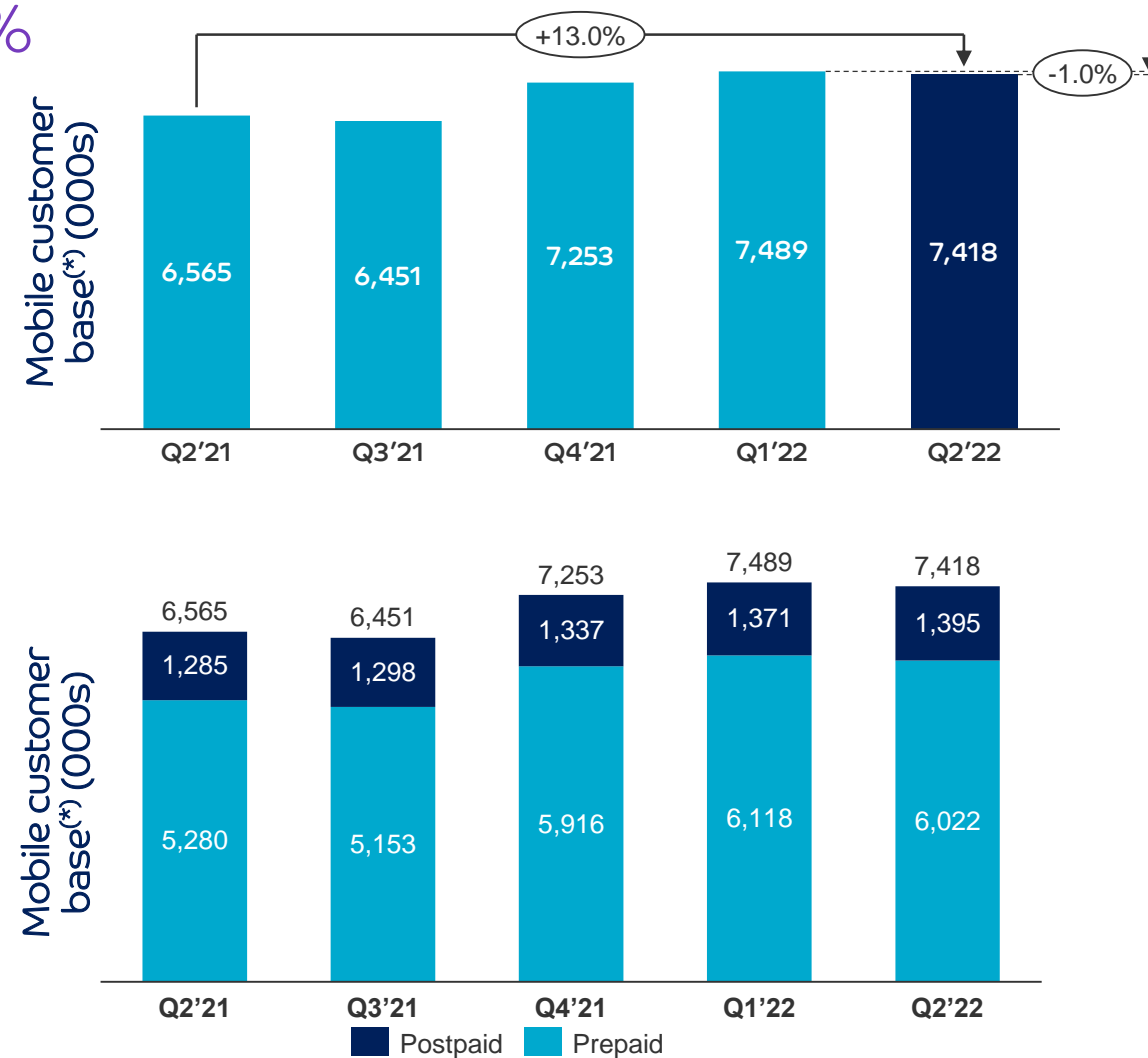
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# Operating review

## Mobile services: customer base +13.0%

- Postpaid segment (+24 k net adds)
  - Sustained customer acquisitions base with good demand from corporate and consumer
  - Handset financing plans continue to be an efficient acquisition tool
- Prepaid segment (flat excluding tourist SIMs)
  - Natural attrition through the disconnection of tourist SIMs following the conclusion of Expo 2020

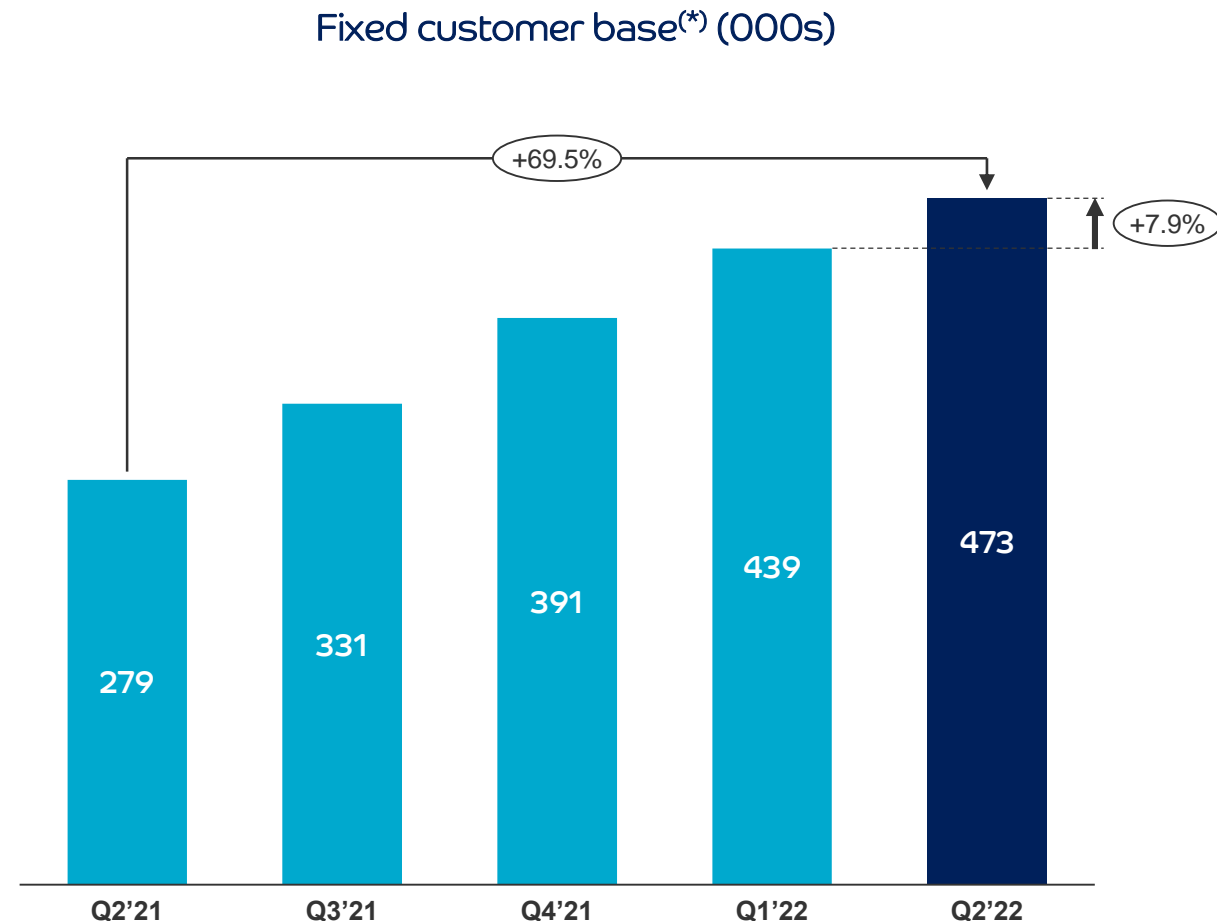


(\*) Mobile customer base as per TRA definition: A customer is accounted in the base if the customer has made, in the last 90 days, a traffic activity

# Operating review

## Fixed services: customer base +69.5%

- Our Broadband strategy continues to deliver
  - Net-adds (+35,000) 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)



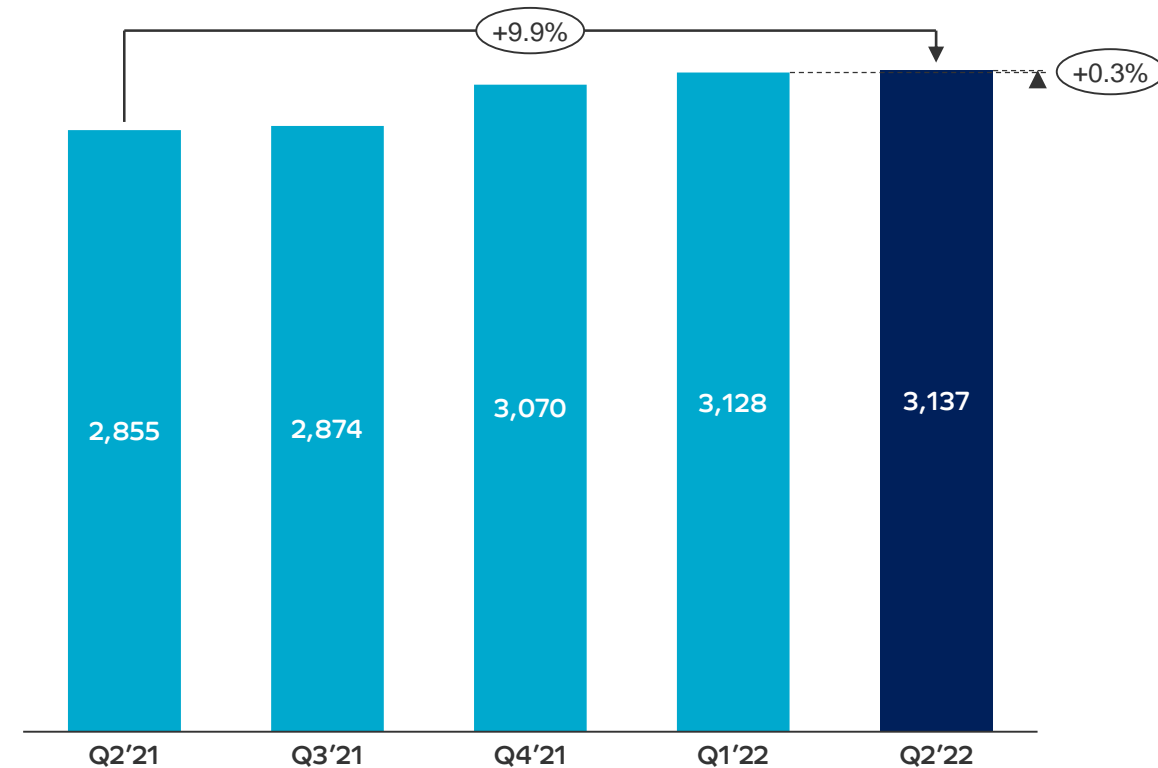
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# Financial review

## Revenues

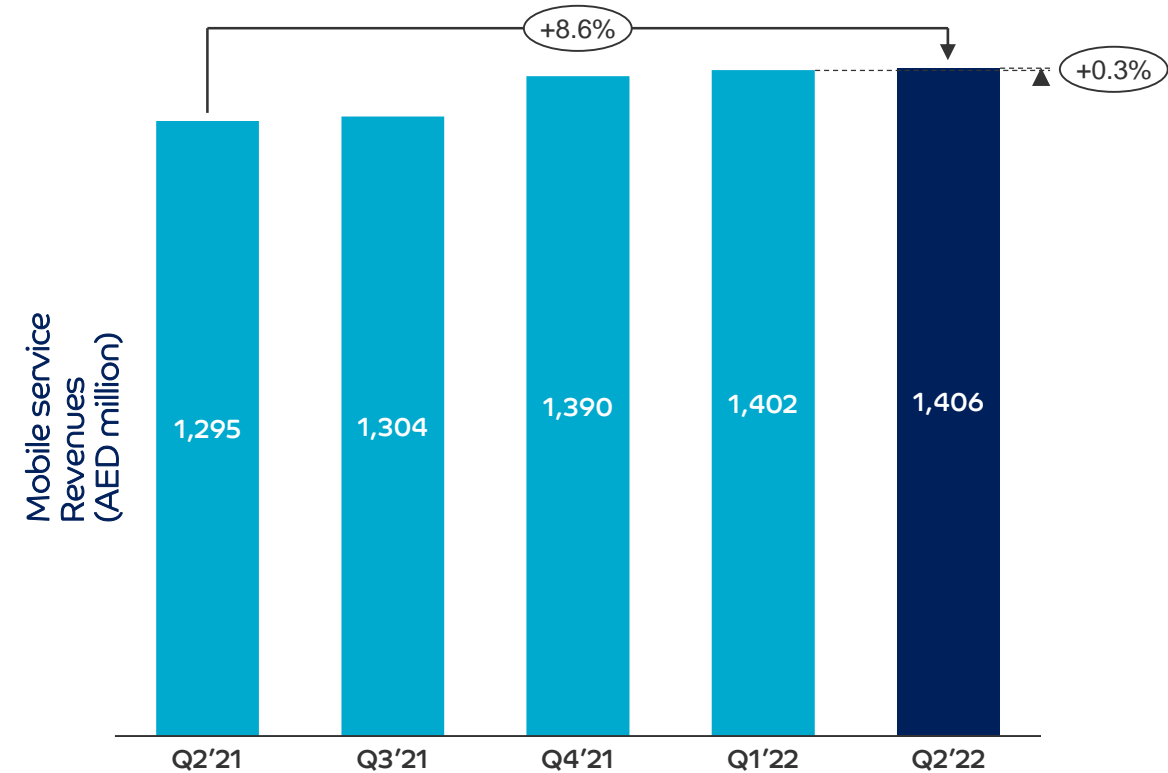
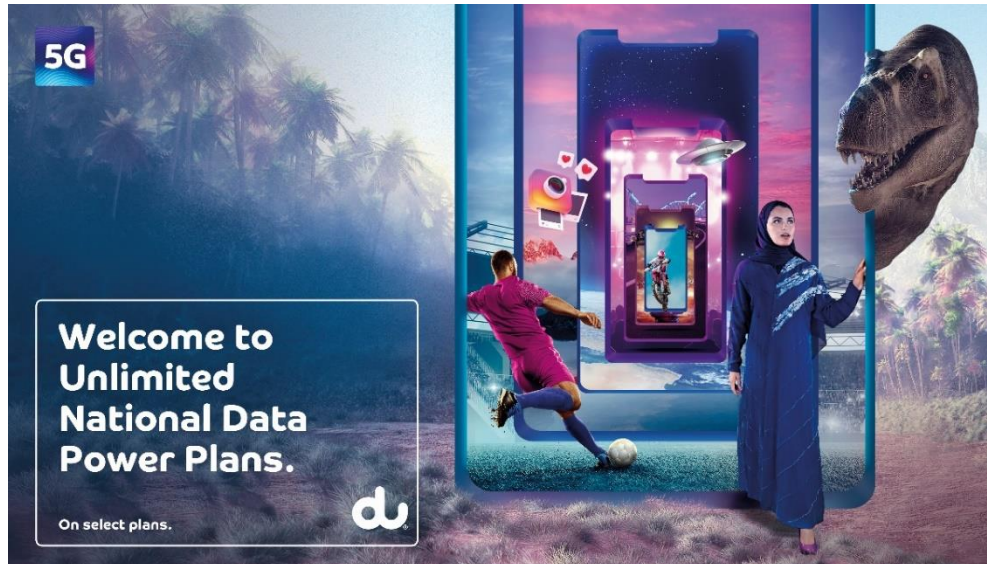
- Mobile services
  - Growth driven by solid commercial offering, on-going population rebuild
- Fixed services
  - Delivering on our strategy with innovative products and network expansion
  - Solid commercial performance
- Other revenues
  - Wholesale revenues are stabilizing
  - Demand for 5G handsets remain strong thanks to financing bundles



# Financial review

## Confirmation of recovery trend of Q4'21

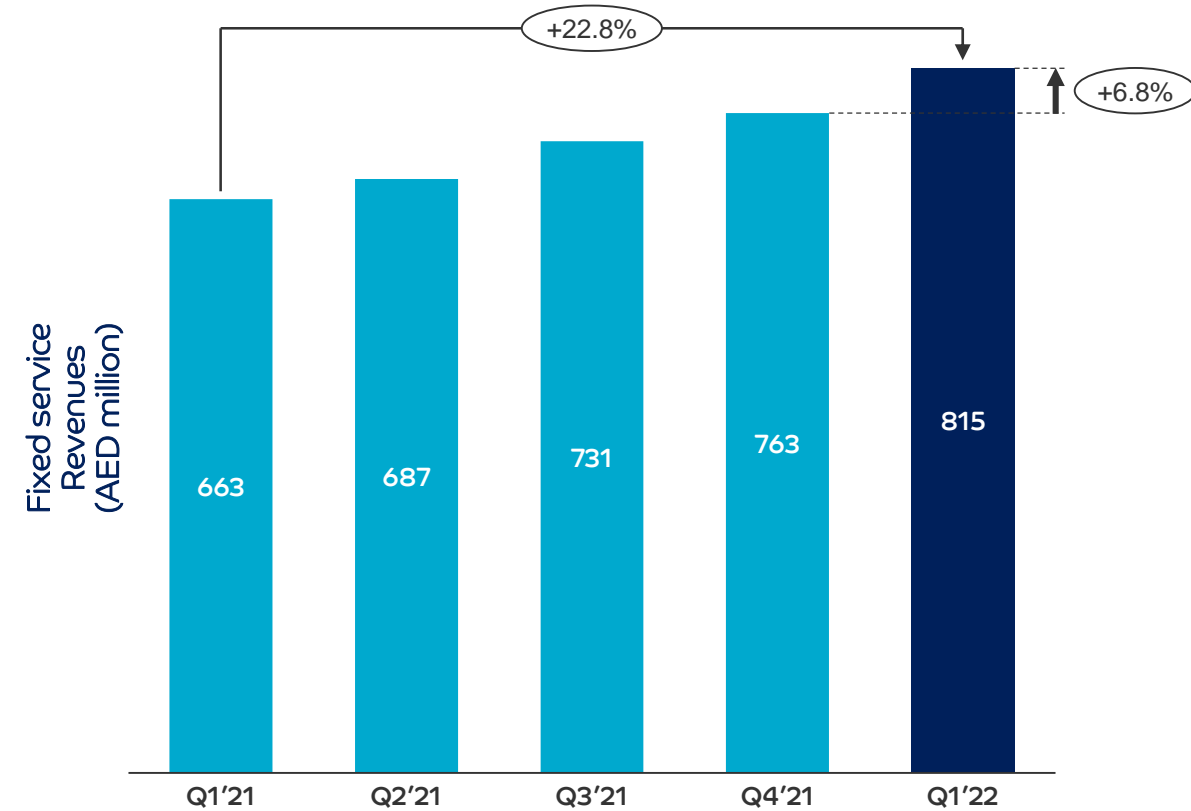
- Q3'21 was an inflection point
  - 3 consecutive quarters of growth
- Several commercial initiatives were launched to support this growth
  - Launched new tiered unlimited Power Plans



# Financial review

## Sustained growth in fixed revenues

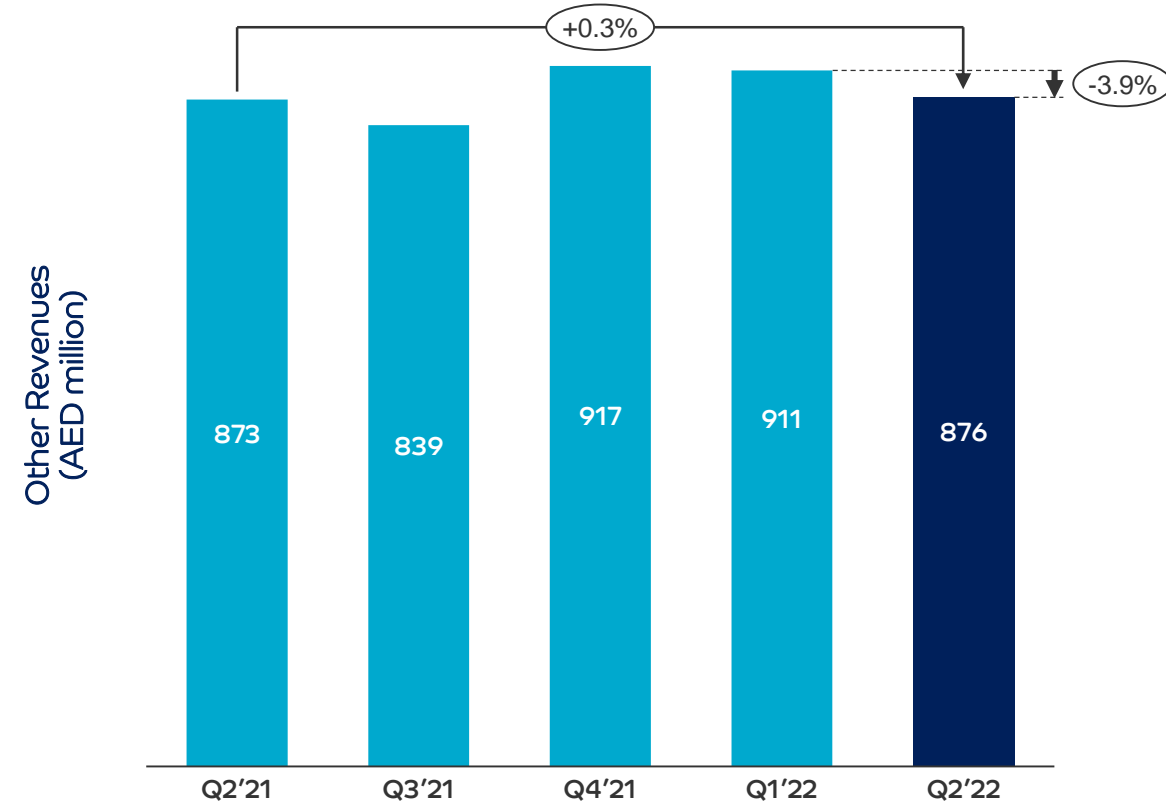
- Consumer segment was the main growth driver
  - Fibre network expansion...
  - ... attractive and innovative offering...
  - ... are contributing to sustained net-adds (+35,000)
- Demand for Enterprise services remain very healthy
  - Cloud-base services are driving demand for connectivity services



# Financial review

## Other revenues

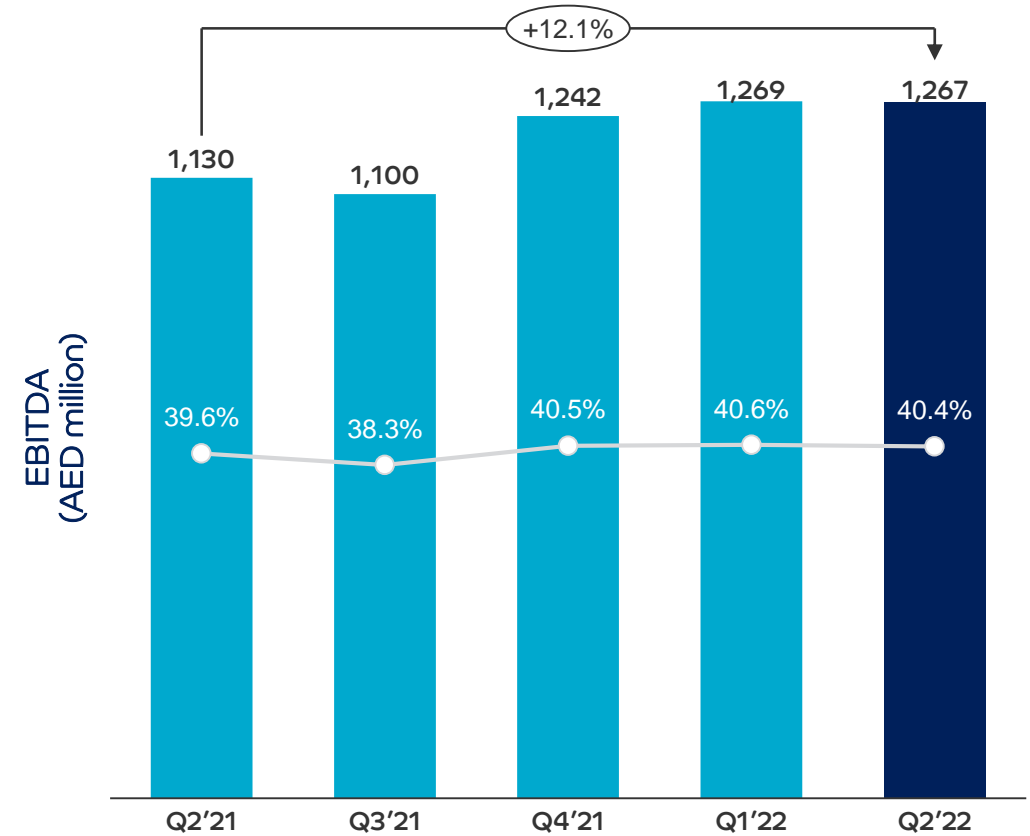
- Equipment revenues continued its growth path
  - 5G handsets continue to sell at same pace
- Wholesale revenues stabilised
- Roaming activity is increasing



# Financial review

## EBITDA

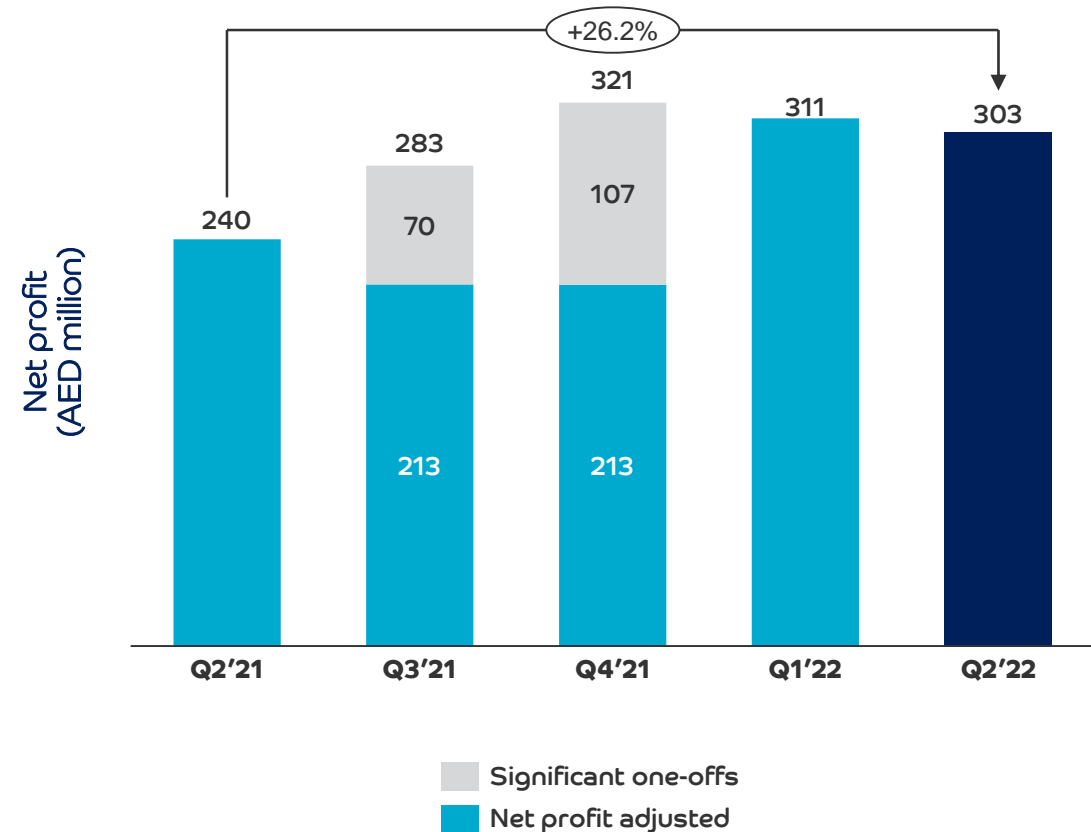
- Growth in service revenues contributed to increase in profit
  - Margin improvement +80bp
- Cost control also contributed to EBITDA improvement
- Underlying EBITDA continues its growth trajectory which started in Q4'21



# Financial review

## Net profit: improvement through higher EBITDA

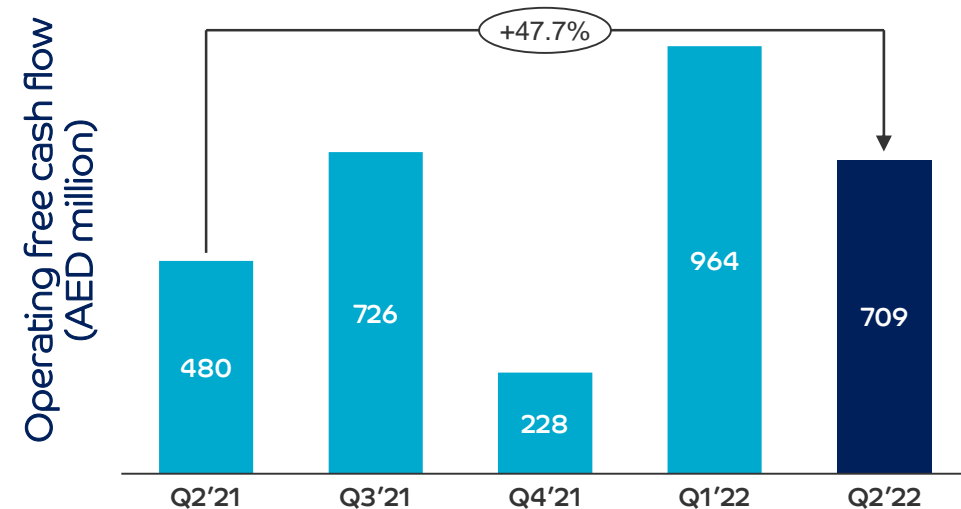
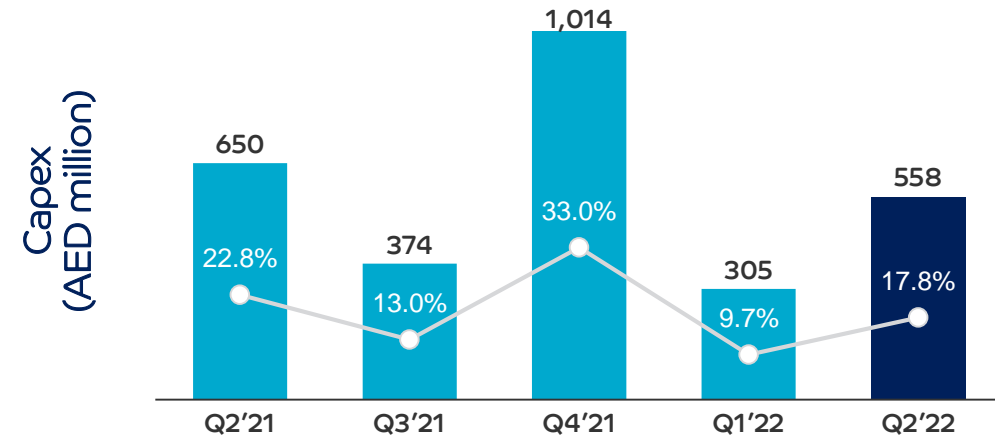
- 26% increase in net profit due to 12% growth in EBITDA
- Depreciation charges
  - increase due to previous capex spend
- Increase in Federal royalty expense
  - Growth in regulated revenue
  - Increase in profit before royalty



# Financial review

## Capex and operating free cash flow

- Lower Capex (vs Q1'21) due to start of normalization
  - 2021 spend was high as a result of the peak of 5G deployment
  - Capital intensity is starting to normalize (13.8% in H1'22 vs 21.2% in H1'21)
  - QoQ increase driven by quarterly typical deployment phasing
- Operating free cash flow growing at 47.7%
  - EBITDA improving
  - Capex starting to normalize

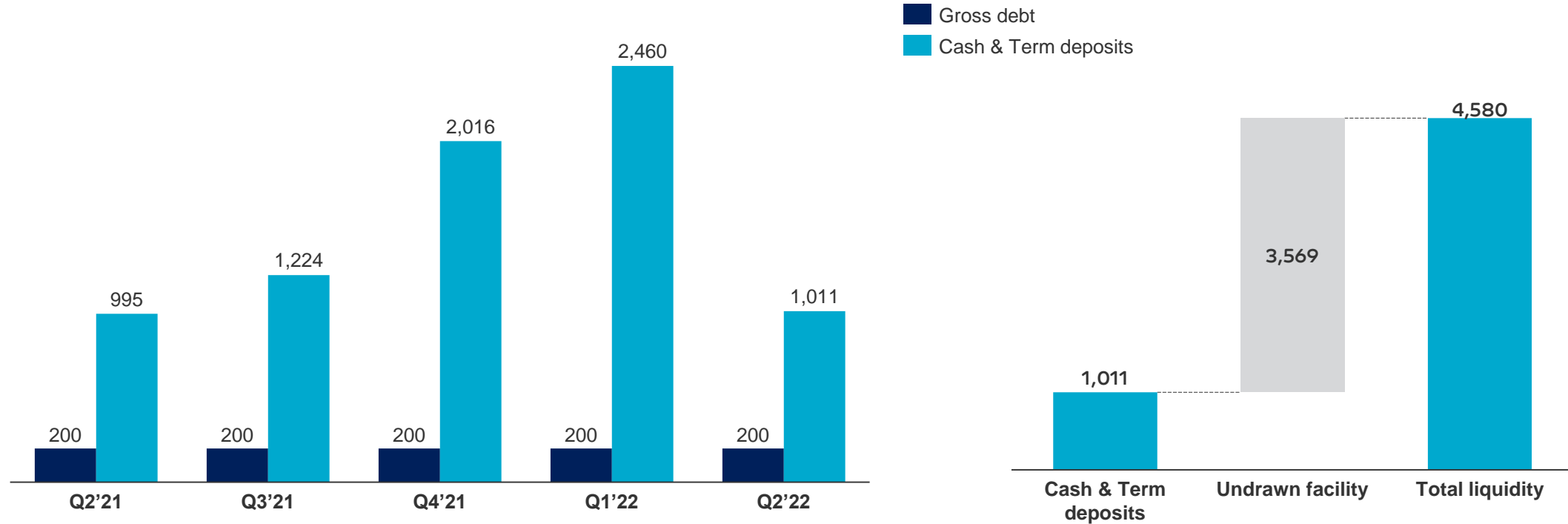




# Financial review

## Strong balance sheet and high liquidity

(AED million)



- Reduction of the cash position as a result of AED 1.4 billion royalty payment

- Strong liquidity position

# Outlook

2022

- **Macro**
  - Oil prices are supportive of UAE's fiscal position but there are building up inflationary pressure in the country
  - 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

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# Appendix

## Operating KPI

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2
<b>Mobile customers ('000s), of which</b>	<b>7,440</b>	<b>6,418</b>	<b>6,594</b>	<b>6,658</b>	<b>6,784</b>	<b>6,565</b>	<b>6,451</b>	<b>7,253</b>	<b>7,489</b>	<b>7,418</b>
Postpaid	1,363	1,262	1,265	1,271	1,313	1,285	1,298	1,337	1,371	1,395
Prepaid	6,077	5,156	5,330	5,386	5,471	5,280	5,153	5,916	6,118	6,022
<b>Net-adds ('000s), of which</b>	<b>-194</b>	<b>-1,022</b>	<b>177</b>	<b>63</b>	<b>126</b>	<b>-219</b>	<b>-114</b>	<b>802</b>	<b>237</b>	<b>-72</b>
Postpaid	9	-101	3	6	41	-27	13	39	34	24
Prepaid	-204	-921	174	57	85	-191	-127	763	202	-96
Mobile ARPU (AED)	84	82	89	88	87	88	90	91	88	87
<b>Broadband customers ('000s)</b>	<b>224</b>	<b>226</b>	<b>228</b>	<b>236</b>	<b>248</b>	<b>279</b>	<b>331</b>	<b>391</b>	<b>439</b>	<b>473</b>
<i>Net-adds ('000s)</i>	5	2	2	7	13	31	52	59	48	35

# Appendix

## P&L

AED million	2021 Q2	2022 Q2	change	2021 6M	2022 6M	change
<b>Revenues</b>	<b>2,855</b>	<b>3,137</b>	<b>9.9%</b>	<b>5,738.1</b>	<b>6,265.0</b>	<b>9.2%</b>
Direct costs	-1,059	-1,110	4.8%	-2,137.1	-2,242.8	4.9%
Indirect costs	-666	-760	14.1%	-1,351.2	-1,486.7	10.0%
Non operating expense	0	0	-58.3%	0.2	0.2	13.4%
<b>EBITDA</b>	<b>1,130</b>	<b>1,267</b>	<b>12.1%</b>	<b>2,250.0</b>	<b>2,535.7</b>	<b>12.7%</b>
<i>margin</i>	<i>39.6%</i>	<i>40.4%</i>	<i>0.8%</i>	<i>39.2%</i>	<i>40.5%</i>	<i>1.3%</i>
Depreciation, amortization	-409	-428	4.6%	-792.5	-851.0	7.4%
Goodwill impairment	0	0	N/M	0.0	0.0	N/M
Depreciation of right-of-use assets	-92	-86	-6.4%	-183.1	-176.4	-3.7%
<b>EBIT</b>	<b>629.2</b>	<b>753.2</b>	<b>19.7%</b>	<b>1,274.4</b>	<b>1,508.3</b>	<b>18.4%</b>
Net finance costs	2	-1	-138.8%	8.5	2.1	-75.4%
Interest expense on lease liabilities	-21	-18	-14.0%	-42.7	-35.9	-15.9%
Income from associates	-1	-2	31.4%	-2.2	-4.4	98.5%
Gain/loss on disposal of associates	0	0	N/M	0.0	0.0	N/M
<b>Profit before federal royalty</b>	<b>609</b>	<b>732</b>	<b>20.4%</b>	<b>1,237.9</b>	<b>1,470.0</b>	<b>18.7%</b>
Federal royalty	-369	-430	16.5%	-740.9	-856.0	15.5%
<b>Net profit</b>	<b>240</b>	<b>303</b>	<b>26.2%</b>	<b>497.0</b>	<b>614.0</b>	<b>23.5%</b>

# Appendix

## Cash flow statement

AED million	2021	2022	2021	2022
	Q2	Q2	6M	6M
<b>Net profit</b>	<b>240</b>	<b>303</b>	<b>497</b>	<b>614</b>
<b>Adjustments for non cash items</b>				
Finance costs	3	2	8	8
Finance income	-5	-5	-16	-14
(Gain) loss on disposal of associates	0	0	0	0
Income from associates	1	2	2	4
Goodwill impairment	0	0	0	0
Depreciation of property, plant and equipment	339	363	670	728
Impairment of property, plant & equipment, intangible assets	18	20	29	39
(Gain) loss on disposal of property, plant and equipment	0	0	0	0
Amortization of intangible assets	51	45	93	84
Depreciation of right-of-use assets	92	86	183	176
Interest expense on lease liabilities	21	18	43	36
Provision for EOSB	7	6	15	11
Release for EOSB	-28	0	-28	0
Provision for impairment of trade receivable	50	28	89	52
Provision for impairment of contract assets	5	7	13	16
Provision for inventory obsolescence	0	-2	0	-3
Provision for impairment on term deposits	-1	0	-1	0
Provision for impairment on dues from related parties	-6	0	0	0
Adjustment for change in discount rate	0	0	0	0
Unwinding of discount on asset retirement obligation	2	2	4	4
	<b>552</b>	<b>571</b>	<b>1,104</b>	<b>1,142</b>
<b>Change in working capital</b>				
(Increase)/Decrease in Inventories	57	-8	1	-13
(Increase)/Decrease in Trade & other receivables	-156	-45	-255	-194
(Increase)/Decrease in Contract assets	-37	-27	-160	-84
(Increase)/Decrease in Due from related parties	45	-5	89	-15
Increase/(Decrease) in Trade & other payables	289	408	778	795
Increase/(Decrease) in Contract liabilities	16	4	-2	6
Increase/(Decrease) in Due to related parties	-2	2	0	4
	<b>212</b>	<b>329</b>	<b>451</b>	<b>500</b>
<b>Cash generated from operations</b>	<b>1,003</b>	<b>1,203</b>	<b>2,052</b>	<b>2,255</b>
Royalty paid (net)	-1,507	-1,413	-1,507	-1,413
Payment of employees' end of service benefits	-5	-16	-11	-22
<b>Net cash generated from operating activities</b>	<b>-509</b>	<b>-226</b>	<b>533</b>	<b>820</b>

	2021	2022	2021	2022
	Q2	Q2	6M	6M
Purchase of property, plant and equipment	-507	-583	-1,103	-1,086
Purchase of intangible assets	-1	-31	-40	-73
Proceeds from disposals of property, plant and equipment	0	0	0	0
Interest received	25	13	27	16
Term deposit released (placed)	1,830	1,075	1,830	775
<b>Net cash used in investing activities</b>	<b>1,346</b>	<b>473</b>	<b>714</b>	<b>-368</b>
Borrowings drawdown	200	0	200	0
Payment of borrowing fees	-18	0	-18	0
Repayment of lease liabilities	-77	-107	-120	-146
Dividends paid	-680	-499	-680	-499
Interest paid	20	2	-5	-2
Interest paid on lease liabilities	-43	-18	-43	-36
Due from related parties	0	0	0	0
<b>Net cash used in financing activities</b>	<b>-598</b>	<b>-622</b>	<b>-666</b>	<b>-682</b>
<b>Net change in cash and cash equivalents</b>	<b>240</b>	<b>-375</b>	<b>582</b>	<b>-230</b>

# Appendix

## Cash flow statement

AED million	2021 Q1	2022 Q1
<b>Net profit</b>	<b>257</b>	<b>311</b>
<b>Adjustments for non-cash items</b>		
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
	<b>552</b>	<b>539</b>
<b>Change in working capital</b>		
(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
	<b>239</b>	<b>171</b>
<b>Cash generated from operations</b>	<b>1,049</b>	<b>1,021</b>
Royalty paid (net)	0	0
Payment of employees' end of service benefits	-7	-6
<b>Net cash generated from operating activities</b>	<b>1,042</b>	<b>1,015</b>

	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
<b>Net cash used in investing activities</b>	<b>-632</b>	<b>-841</b>
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
<b>Net cash used in financing activities</b>	<b>-68</b>	<b>-60</b>
<b>Net change in cash and cash equivalents</b>	<b>342</b>	<b>113</b>

# Appendix

## Balance sheet

AED million	As at 31-Dec-21	As at 30-Jun-22
Property, plant and equipment	9,068	9,095
Right-of-use assets	1,650	1,537
Intangible assets	446	433
Goodwill	413	413
Lease receivable	139	130
Associates	24	20
Financial assets	18	13
Derivatives financial instruments	0	0
Trade receivables	83	82
Contract assets	273	349
	<b>12,116</b>	<b>12,071</b>
Inventories	58	74
Trade receivables	1,325	1,366
Other receivables	503	454
Deferred fees	0	140
Prepaid expenses	133	147
Lease receivable	16	20
Derivatives financial instruments	0	0
Contract assets	463	455
Due from related parties	49	64
	<b>2,548</b>	<b>2,720</b>
Term deposits	1,374	600
Cash and cash equivalent	641	411
	<b>2,016</b>	<b>1,011</b>
	<b>16,679</b>	<b>15,801</b>

AED million	As at 31-Dec-21	As at 30-Jun-21
Share capital	4,533	4,533
Share premium	232	232
Retained earnings	1,748	1,802
Statutory reserves	2,018	2,075
	<b>8,532</b>	<b>8,642</b>
Borrowings - non-current	0	200
Borrowings - current	200	0
	<b>200</b>	<b>200</b>
Lease liabilities - non-current	1,553	1,438
Lease liabilities - current	672	704
Contract liabilities - non-current	247	229
Contract liabilities - current	439	463
Provisions for decommissioning	199	205
Due to related parties	7	11
	<b>3,116</b>	<b>3,050</b>
Trade payables	1,376	1,302
Other payables	1,717	1,434
Accrued federal royalty	1,500	943
Provision for employees' end of service benefits	238	230
Dividends payable	0	0
Deferred revenues	0	0
	<b>4,831</b>	<b>3,909</b>
	<b>16,679</b>	<b>15,801</b>



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