

Q3 2022 Results

Emirates Integrated Telecommunications Company PJSC

1 November 2022



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Agenda

- Highlights
- Operating review
- Financial review
- Appendix

Q3 2022 highlights

Return to growth

Macro update

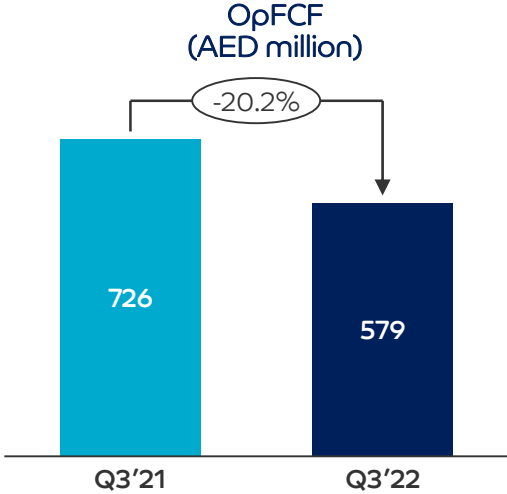
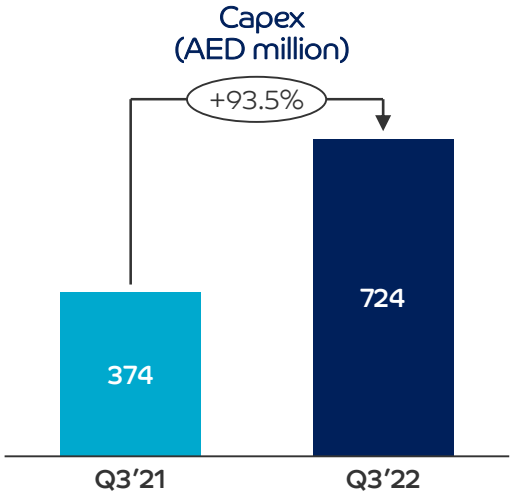
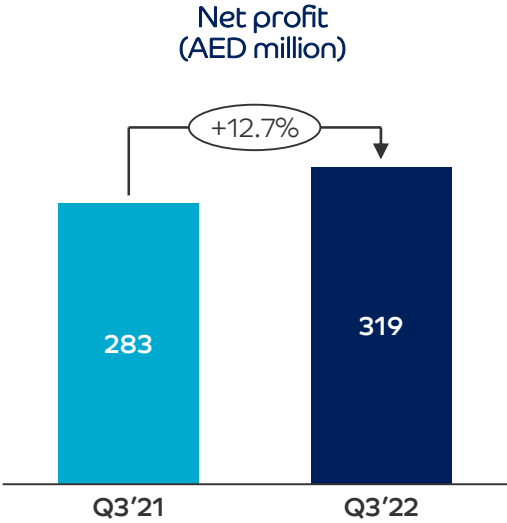
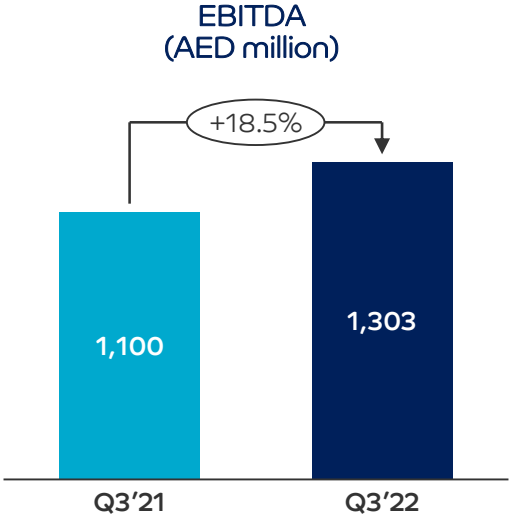
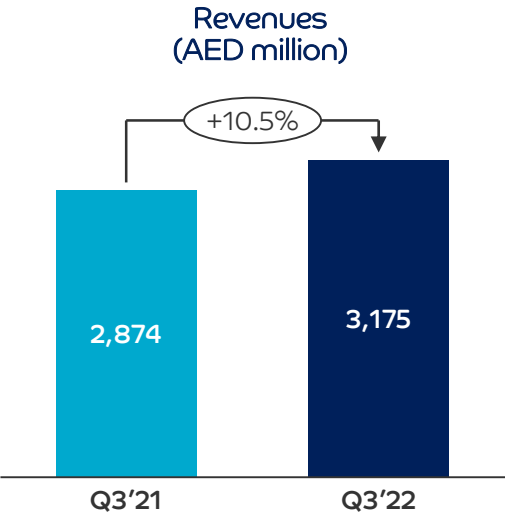
- Comforting macro data puts the UAE in a privileged position
 - PMI ahead of pre-pandemic levels
 - The IMF upgraded 2022 GDP growth forecasts for the UAE from 4.2% to 5.1%
- Oil prices remain supportive of the UAE's fiscal position...
 - Brent crude prices trading in the \$90s
 - Comfortably ahead of the UAE's fiscal breakeven oil price

Company update

- Product launch
 - 5G Home Wireless (du, Virgin Mobile)
 - 5G handsets: iPhone 14, Samsung Galaxy foldable phones
- Network
 - Mobile: improvement in Outdoor / Indoor coverage
 - Fixed: continued roll-out of fiber throughout the country

Highlights

Financials



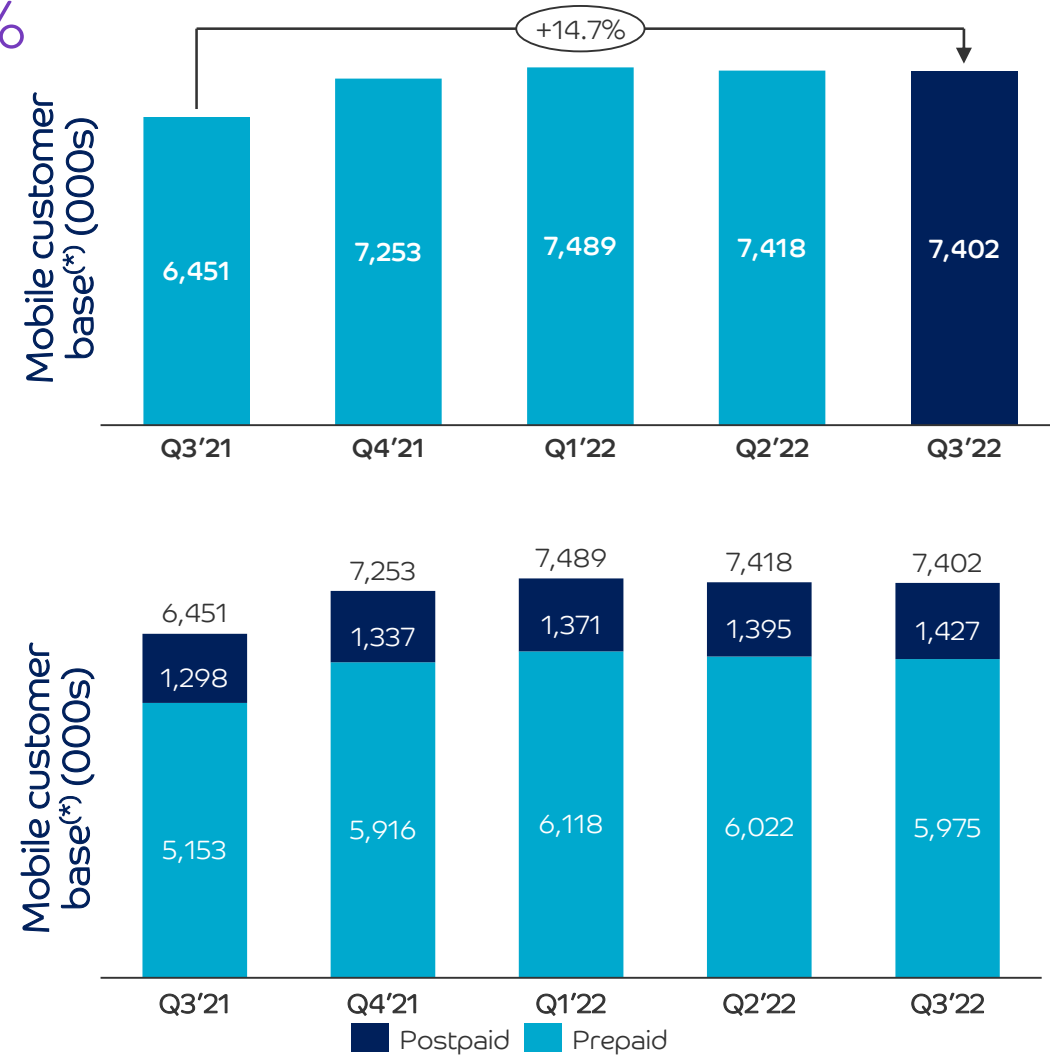
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Operating review

Mobile services: customer base +14.7%

- Postpaid segment (+32k net-adds)
 - Sustained demand from corporate and consumer segments
 - Handset financing plans continue to be an efficient acquisition tool for consumer segment
- Prepaid segment (-48k net-adds)
 - Element of summer seasonality
 - Lower activity levels in the UAE as less people travel to the UAE

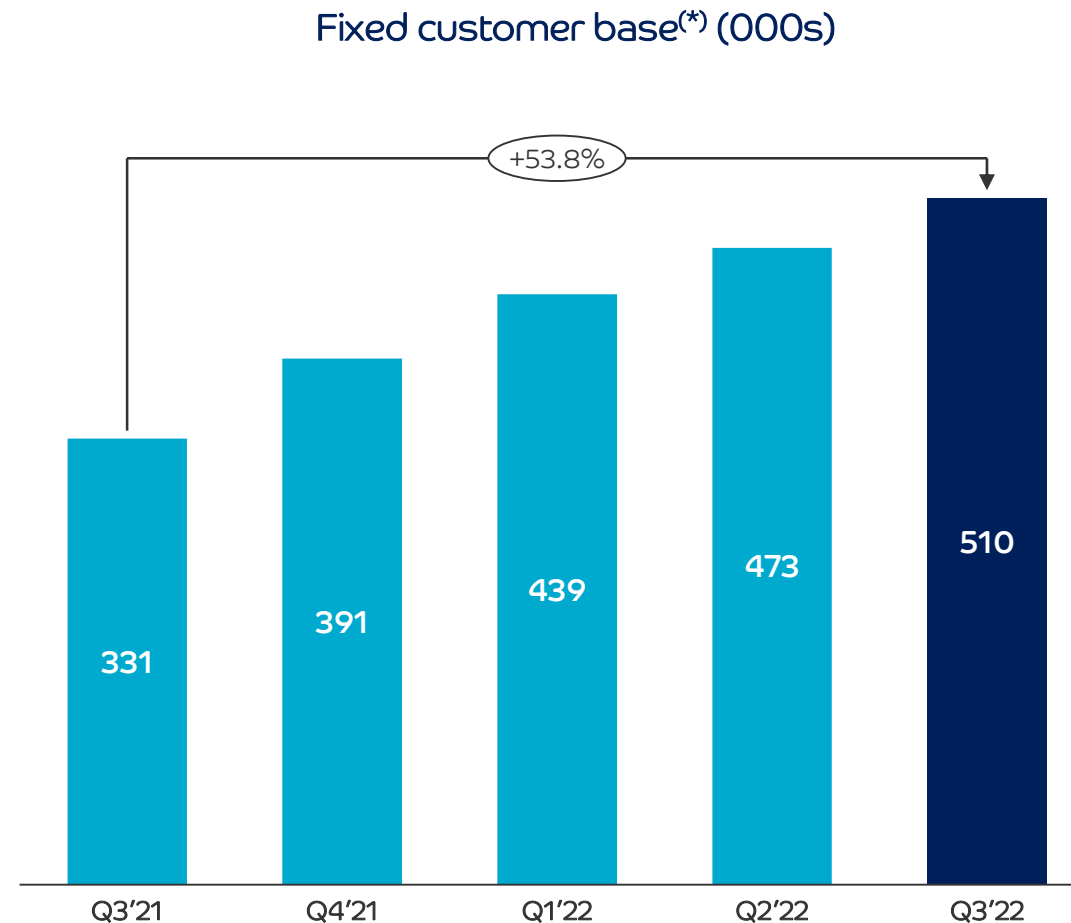


(*) Mobile customer base as per TRA definition: A customer is accounted in the base if the customer has made, in the last 90 days, a traffic activity

Operating review

Fixed services: half a million broadband customers

- Our Broadband strategy continues to deliver:
 - Solid net-adds (+37k)
 - Market share gains across all service categories
- Demand for our consumer broadband services driven by
 - 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)

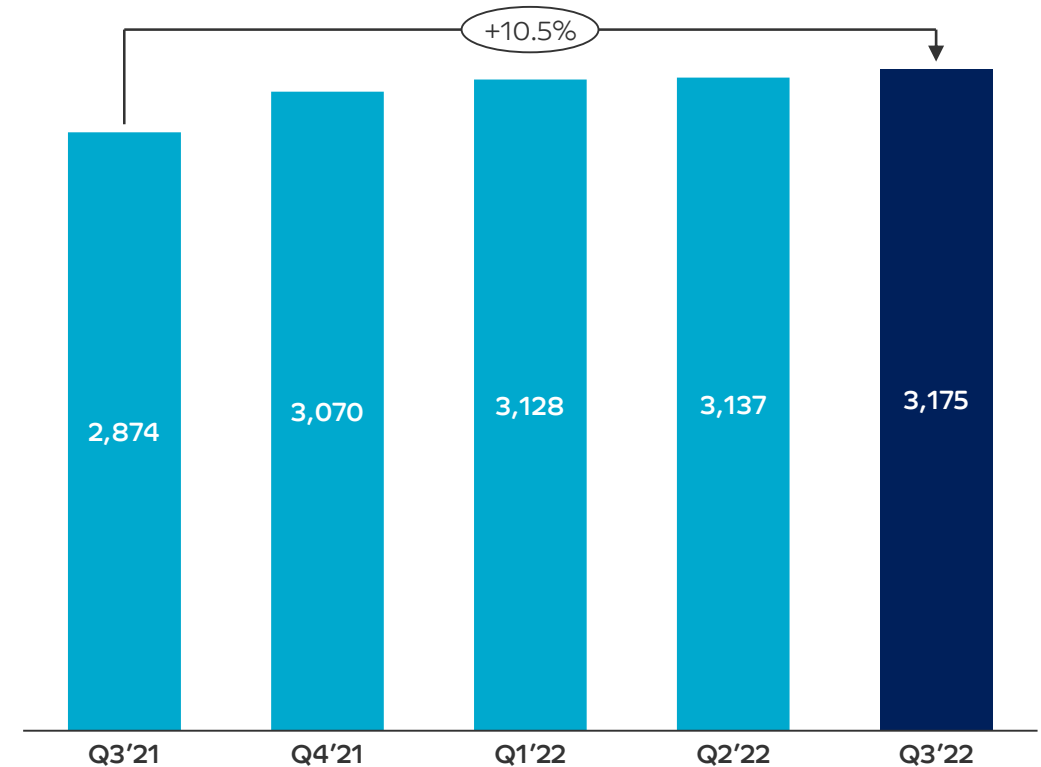
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Financial review

Revenues

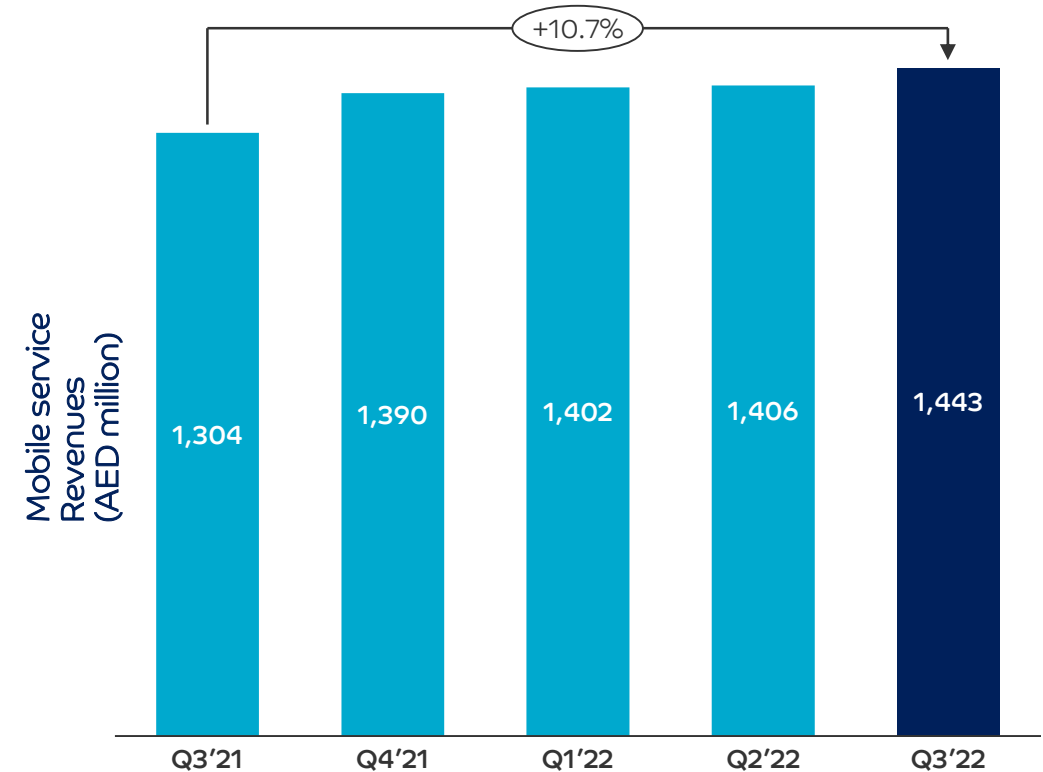
- Mobile services
 - Growth driven by solid commercial offering
- Fixed services
 - Delivering on our strategy with innovative products and network expansion
 - Solid commercial performance
- Other revenues
 - Robust demand for ICT services
 - Demand for 5G handsets remain strong thanks to financing bundles



Financial review

Mobile services: firmly on growth trajectory

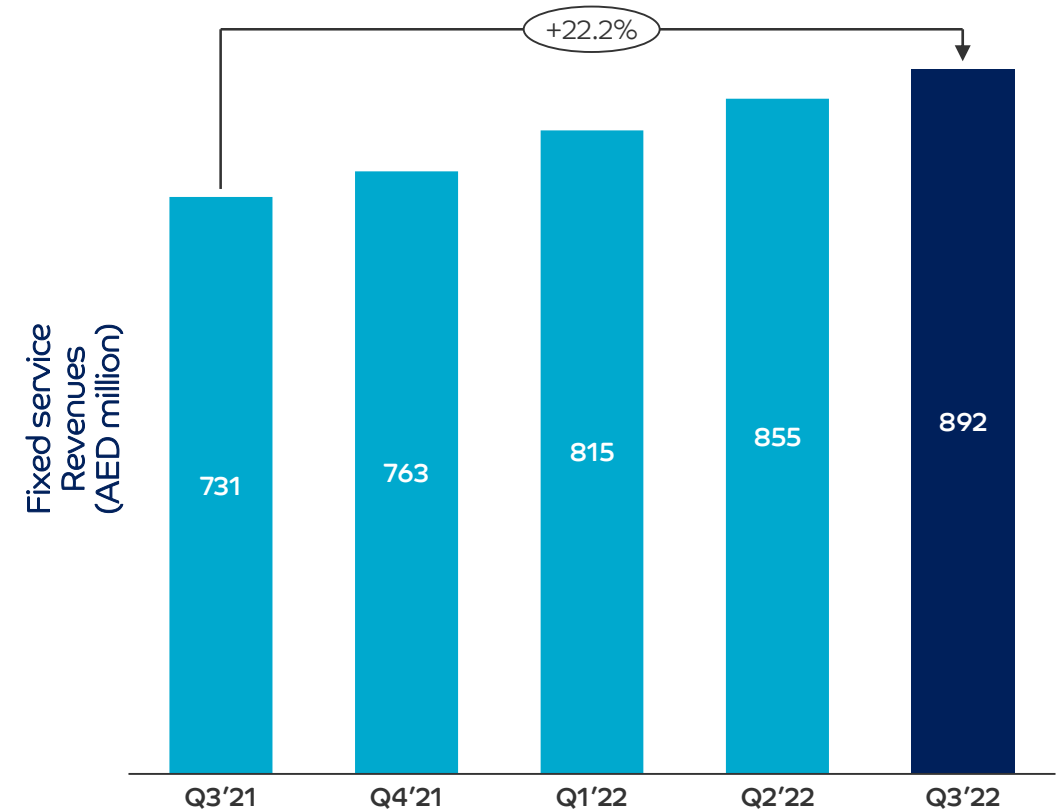
- Four consecutive quarters of revenue growth
 - Postpaid segment is the main driver
 - Growth in voice revenues driven by customer base and traffic



Financial review

Sustained growth in fixed revenues: +22%

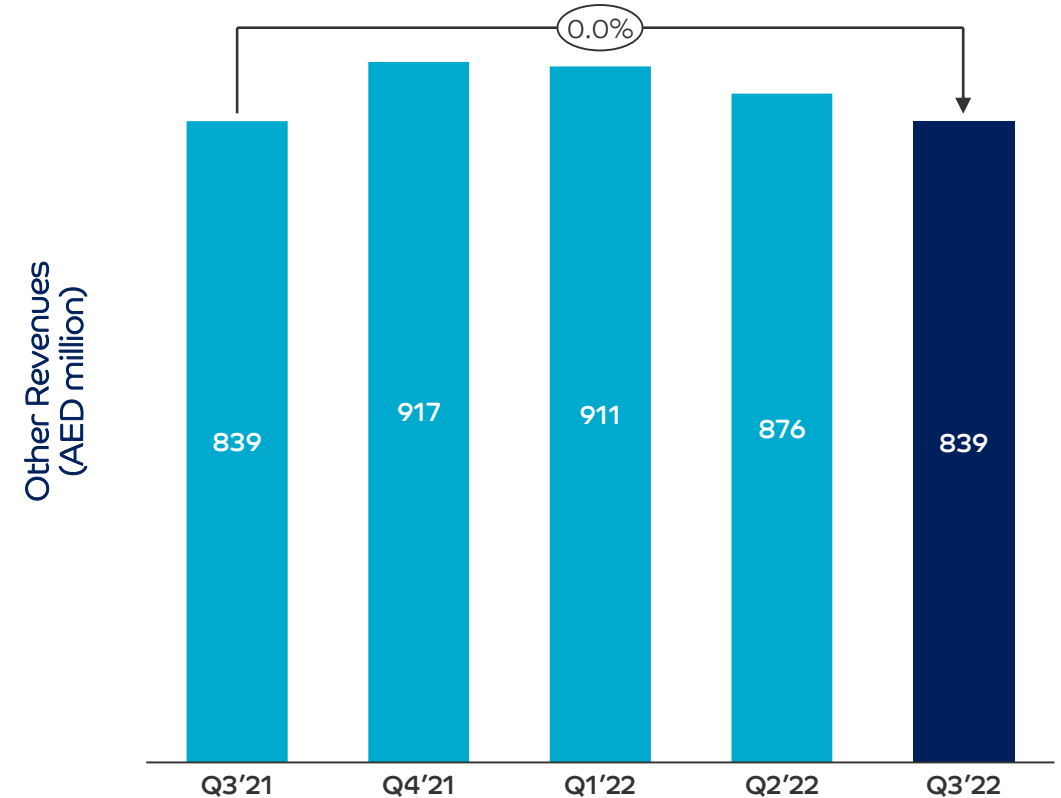
- Consumer segment continues to drive growth
 - Fibre network expansion...
 - ... attractive and innovative offering...
 - ... are contributing to sustained net-adds (+37,000)
- Demand for Enterprise services remain very healthy
 - Cloud-base services are driving demand for connectivity services



Financial review

Other revenues

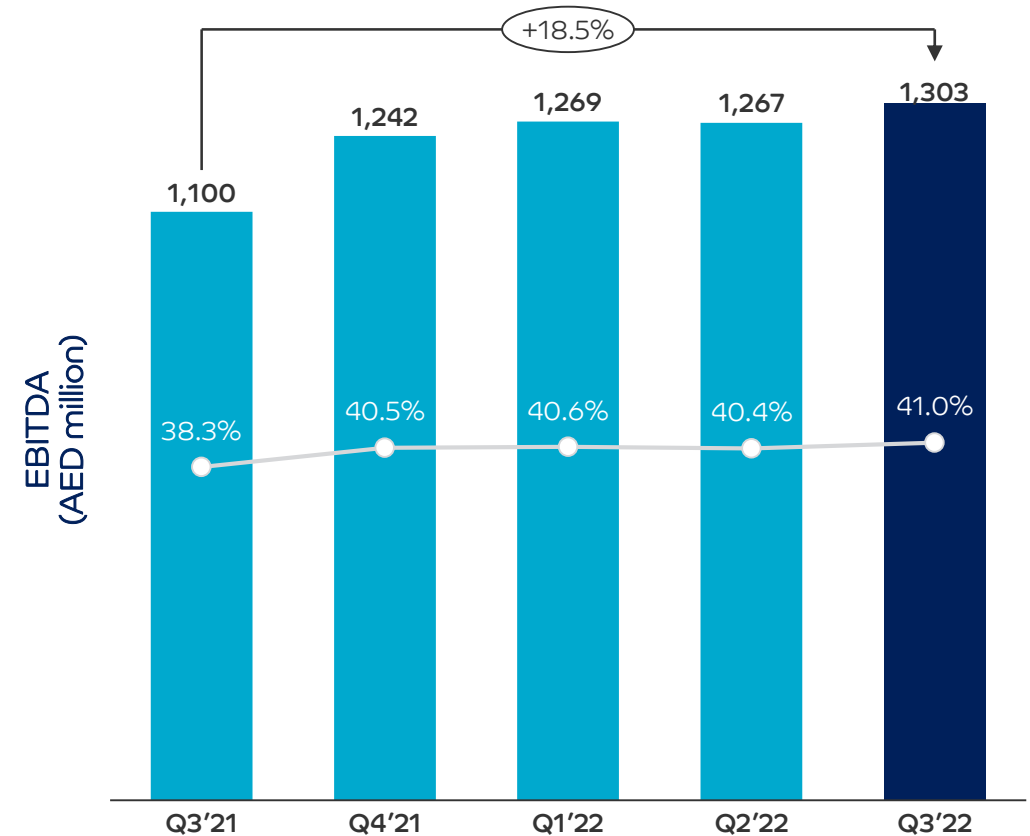
- Wholesale revenues stabilised
 - International hubbing revenues deliberately reduced
- Equipment revenues continued its growth path
 - Supply chain issues continue to affect the availability of highly desirable handsets
 - Customers are turning to our shops to get the handset of their choice
- ICT
 - Healthy demand from government and corporate segments
- Inbound roaming
 - Revenues virtually back to pre-pandemic levels



Financial review

EBITDA: margin at a 2-year high

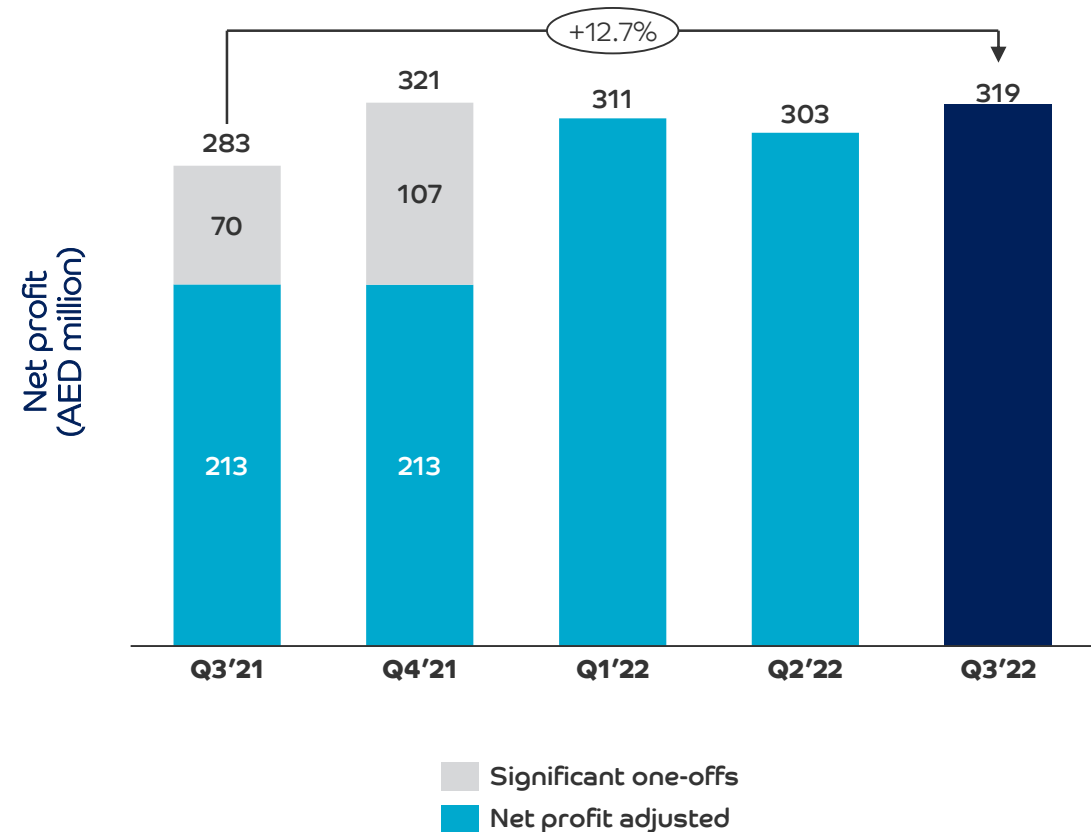
- Service revenues (+14.8%) increased by AED 301 million
 - Mobile service revenues +10.7%
 - Fixed service revenues +22.2%
- Gross profit increased by AED 282 million
 - 300bp improvement in gross margin



Financial review

Net profit: improvement through higher EBITDA

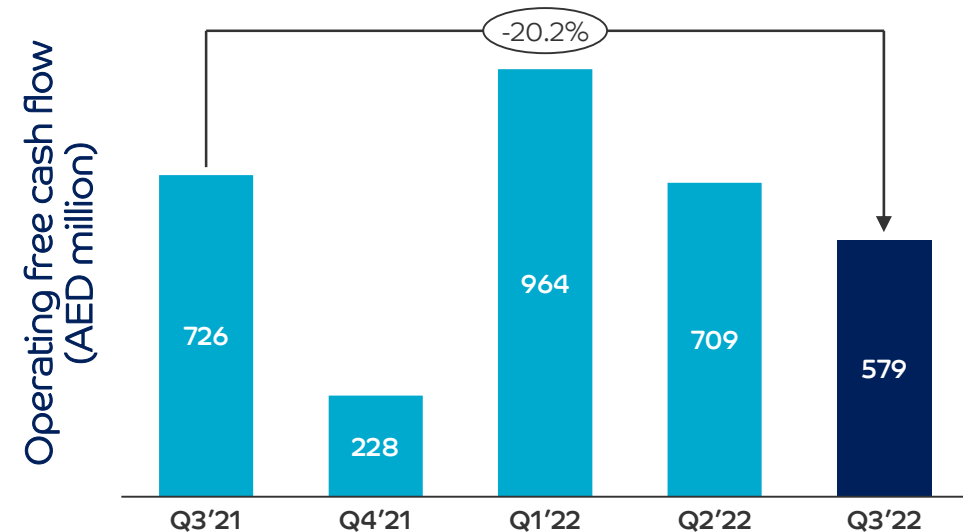
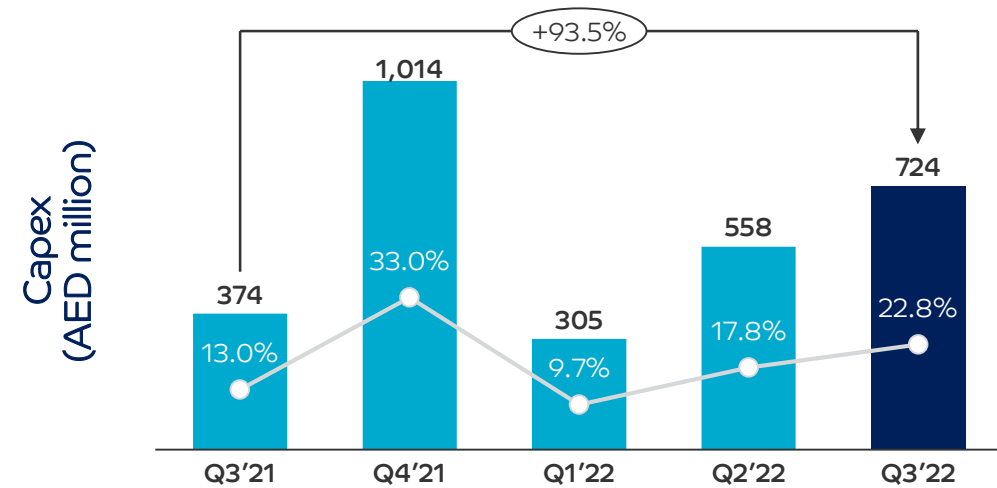
- On a comparable basis, net profit increased 50% (+12.6% on adjusted basis) due to EBITDA growth
- Depreciation & amortization charges
 - Higher depreciation due to Q4'21 capex spend
- Federal royalty expense
 - AED 70 million reversal in Q3'21
 - Increase in regulated revenue and profit before royalty



Financial review

Capex and operating free cash flow

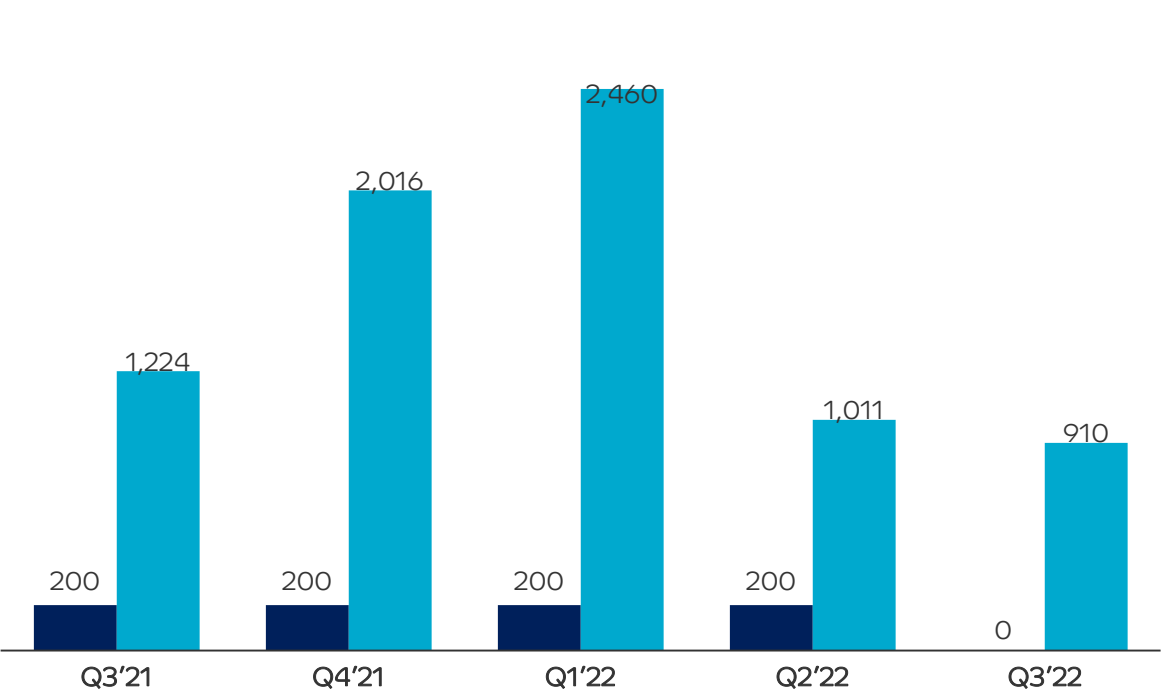
- Capex ramping up due to phasing
 - Capital intensity is starting to normalize (16.8% in 9M'22 vs 18.5% in 9M'21)
- Operating free cash flow (EBITDA – Capex) reduction due mainly to the seasonality in Capex spend



Financial review

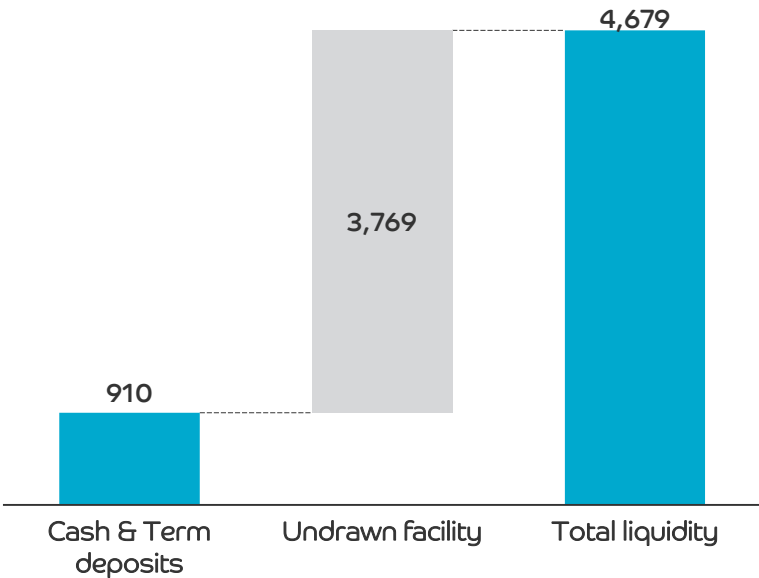
Strong balance sheet and high liquidity

(AED million)



- Repayment of AED 200 million of debt

■ Gross debt
■ Cash & Term deposits



- Strong liquidity position

Outlook

2022

- **Infrastructure**
 - 5G: shift the focus from network coverage to densification
 - Fiber: continue deploying fiber network
- **Mobile services**
 - Unlimited Power Plans: retain and attract high-value customers
 - World Cup in Qatar: potential boom for tourism in the UAE
- **Fixed services**
 - Monetize 5G and fibre roll-out
 - Robust corporate demand for connectivity and ICT services

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Operating KPI

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Mobile customers ('000s), of which	7,440	6,418	6,594	6,658	6,784	6,565	6,451	7,253	7,489	7,418	7,402
Postpaid	1,363	1,262	1,265	1,271	1,313	1,285	1,298	1,337	1,371	1,395	1,427
Prepaid	6,077	5,156	5,330	5,386	5,471	5,280	5,153	5,916	6,118	6,022	5,975
Net-adds ('000s), of which	-194	-1,022	177	63	126	-219	-114	802	237	-72	-16
Postpaid	9	-101	3	6	41	-27	13	39	34	24	32
Prepaid	-204	-921	174	57	85	-191	-127	763	202	-96	-48
Mobile ARPU (AED)	84	82	89	88	87	88	90	91	88	87	88
Broadband customers ('000s)	224	226	228	236	248	279	331	391	439	473	510
<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>	<i>35</i>	<i>37</i>

Appendix

P&L

AED million	2021 Q3	2022 Q3	change	2021 9M	2022 9M	change
Revenues	2,874	3,175	10.5%	8,612	9,440	9.6%
Direct costs	-1,085	-1,103	1.7%	-3,222	-3,346	3.9%
Indirect costs	-689	-769	11.5%	-2,040	-2,255	10.5%
Other income	0	0	-8.2%	0	0	1.0%
EBITDA	1,100	1,303	18.5%	3,350	3,839	14.6%
<i>margin</i>	<i>38.3%</i>	<i>41.0%</i>	<i>2.8%</i>	<i>38.9%</i>	<i>40.7%</i>	<i>1.8%</i>
Depreciation, amortization	-418	-433	3.5%	-1,211	-1,284	6.0%
Goodwill impairment	0	0	N/M	0	0	N/M
Depreciation of right-of-use assets	-92	-86	-5.8%	-275	-263	-4.4%
EBIT	590	784	32.8%	1,864	2,292	22.9%
Net finance costs	-2	-1	-70.6%	7	2	-76.8%
Interest expense on lease liabilities	-20	-18	-11.9%	-63	-54	-14.7%
Income from associates	-2	-2	-21.3%	-4	-6	42.1%
Gain/loss on disposal of associates	0	0	N/M	0	0	N/M
Profit before federal royalty	566	763	35.0%	1,804	2,233	23.8%
Federal royalty	-282	-444	57.3%	-1,023	-1,300	27.0%
Net profit	283	319	12.7%	780	933	0.2

Appendix

Cash flow statement

AED million	2021	2022	2021	2022
	Q3	Q3	9M	9M
Net profit	283	319	780	933
<i>Adjustments for non cash items</i>				
Finance costs	6	7	14	14
Finance income	-4	-7	-21	-21
Income from associates	2	2	4	6
Depreciation of property, plant and equipment	366	381	1,036	1,108
Impairment of property, plant & equipment, intangible assets	9	16	38	56
(Gain) loss on disposal of property, plant and equipment	0	1	0	1
Amortization of intangible assets	43	36	137	120
Depreciation of right-of-use assets	92	86	275	263
Interest expense on lease liabilities	20	18	63	54
Provision for EOSB	6	5	21	16
Release for EOSB	0	0	-28	0
Provision for impairment of trade receivable	26	62	116	114
Provision for impairment of contract assets	3	3	16	19
Provision for inventory obsolescence	-3	-2	-3	-5
Provision for impairment on term deposits	0	0	0	0
Provision for impairment on dues from related parties	0	0	0	0
Adjustment for change in discount rate	0	0	0	0
Unwinding of discount on asset retirement obligation	2	1	6	5
	569	609	1,673	1,750
<i>Change in working capital</i>				
(Increase)/Decrease in Inventories	8	26	9	13
(Increase)/Decrease in Trade & other receivables	50	-98	-205	-292
Increase/(Decrease) in Trade & other payables	289	571	1,067	1,367
(Increase)/Decrease in Contract assets	-24	31	-184	-53
Increase/(Decrease) in Contract liabilities	-3	33	-4	39
(Increase)/Decrease in Due from related parties	6	-6	95	-21
Increase/(Decrease) in Due to related parties	-4	-5	-4	-1
	323	553	773	1,052
Cash generated from operations	1,175	1,481	3,227	3,736
Royalty paid (net)	0	0	-1,507	-1,413
Payment of employees' end of service benefits	-5	-11	-16	-34
Net cash generated from operating activities	1,170	1,469	1,704	2,290

	2021	2022	2021	2022
	Q3	Q3	9M	9M
Purchase of property, plant and equipment	-392	-643	-1,494	-1,730
Purchase of intangible assets	-14	-109	-55	-182
Interest received	3	1	30	17
Margin on guarantee released	0	0	0	0
Term deposit released (placed)	-700	-100	1,130	675
Net cash used in investing activities	-1,103	-851	-389	-1,219
Equity issuance	0	0	0	0
Borrowings drawdown	0	0	200	0
Borrowings repayment	0	-200	0	-200
Repayment of lease liabilities	-60	-71	-180	-217
Dividends paid	-453	-499	-1,133	-997
Interest paid on borrowings	-4	-1	-9	-3
Interest paid on lease liabilities	-20	-18	-63	-54
Net cash used in financing activities	-538	-789	-1,203	-1,471
Net change in cash and cash equivalents	-470	-170	111	-400

Appendix

Balance sheet

AED million	As at 31-Dec-21	As at 30-Sep-22
Property, plant and equipment	9,068	9,342
Right-of-use assets	1,650	1,481
Intangible assets	446	477
Goodwill	413	413
Lease receivable	139	121
Associates	24	18
Financial assets	18	7
Derivatives financial instruments	0	0
Trade receivables	83	81
Contract assets	273	353
	12,116	12,293
Inventories	58	50
Trade receivables	1,325	1,460
Other receivables	503	404
Deferred fees	0	74
Prepaid expenses	133	216
Lease receivable	16	20
Derivatives financial instruments	0	0
Contract assets	463	417
Due from related parties	49	69
	2,548	2,711
Term deposits	1,374	700
Cash and cash equivalent	641	241
	2,016	941
	16,679	15,945

AED million	As at 31-Dec-21	As at 30-Sep-22
Share capital	4,533	4,533
Share premium	232	232
Retained earnings	1,748	1,591
Statutory reserves	2,018	2,101
	8,532	8,457
Borrowings - non-current	0	0
Borrowings - current	200	0
	200	0
Lease liabilities - non-current	1,553	1,381
Lease liabilities - current	672	721
Contract liabilities - non-current	247	224
Contract liabilities - current	439	501
Provisions for decommissioning	199	206
Due to related parties	7	5
	3,116	3,038
Trade payables	1,376	1,398
Other payables	1,717	1,441
Accrued federal royalty	1,500	1,387
Provision for employees' end of service benefits	238	224
Dividends payable	0	0
Deferred revenues	0	0
	4,831	4,450
	16,679	15,945

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