

Q1 2023 results

Emirates Integrated Telecommunications Company PJSC

3 May 2023



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Agenda

- **Highlights**
- **Operating review**
- **Financial review**
- **Appendix**

Q1 2023 highlights

Sustainable and profitable growth

Macro update

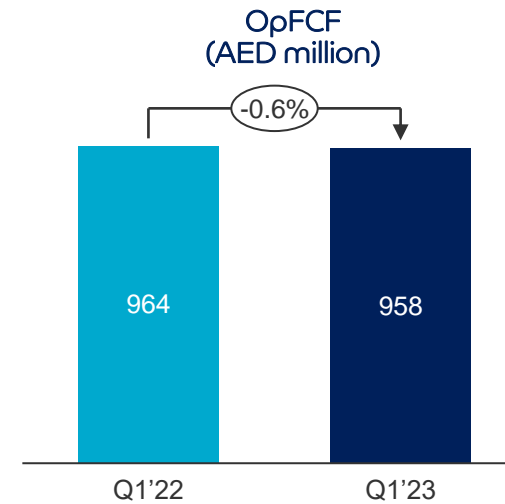
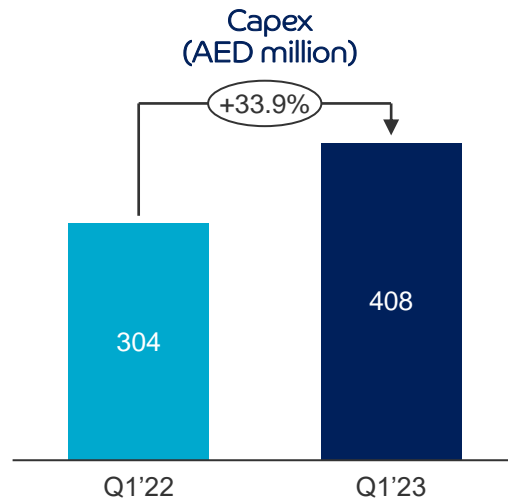
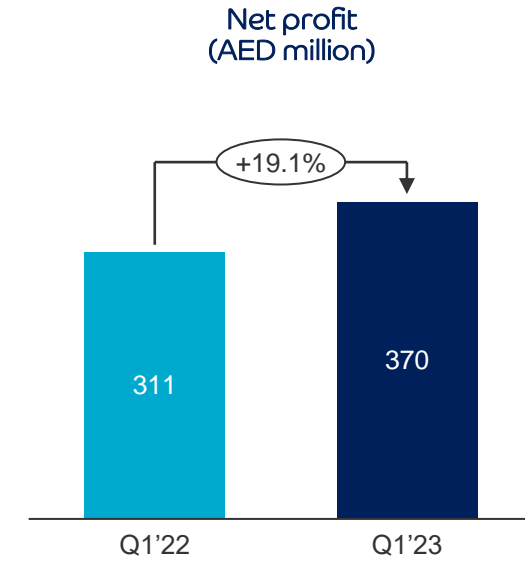
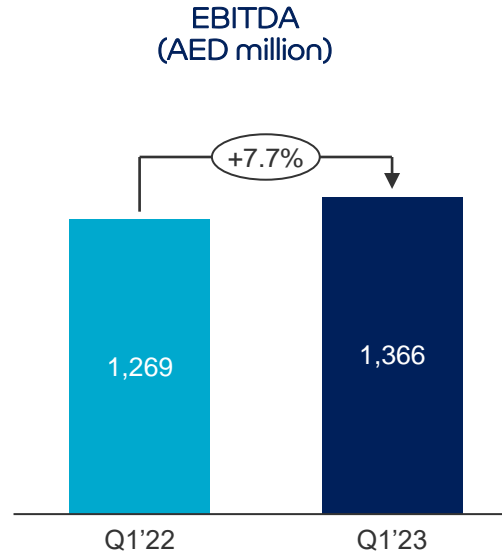
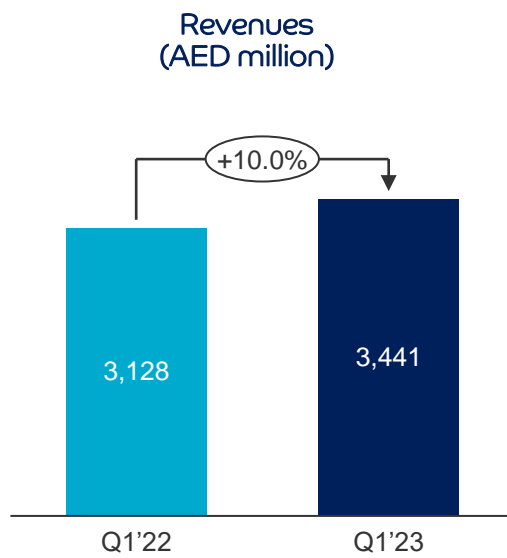
- Comforting macro data puts the UAE in a privileged position
 - Robust PMI reading in March despite a slower start to the year
 - UAE GDP forecasted to grow by 3.5% in 2023
 - 17.6% growth in international visitors in Q1'23, ahead of pre-pandemic levels
- Oil prices remain supportive of the UAE's fiscal position
 - Oil price trading comfortably ahead of the UAE's fiscal breakeven oil price (Q1'23 average \$82/barrel)
 - 2023 is expected to be another year of budget surplus

Company update

- Products
 - Continuing popularity of the Unlimited and Non-stop data Power Plan and Flexi Plans
 - Compelling offers on Home Wireless with the addition of Disney+
- Network
 - Mobile: improvement in Outdoor / Indoor coverage
 - Fixed: +13,000 homes passed

Financial review

Highlights



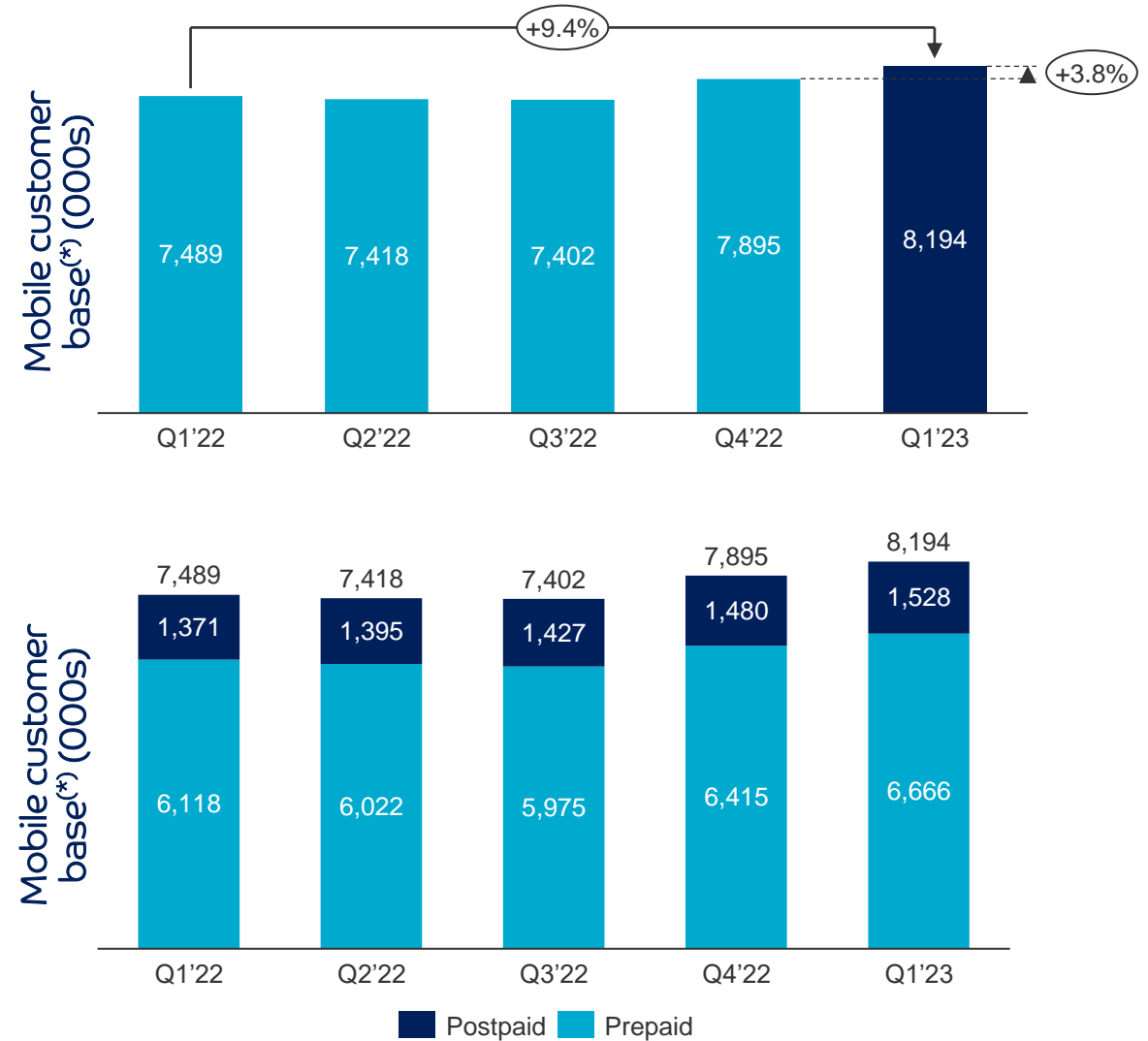
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Operating review

9.4% growth of mobile customer base

- Growth in mobile subscriber base
 - Attractive product range
 - Robust visitor activity in Dubai
- Postpaid segment (+11.4% yoy / +3.3% qoq)
 - Consumer: Unlimited Power Plan, handset financing
 - Enterprise : sustained growth in corporate and public sector customers
- Prepaid segment (+9% yoy / +3.9% qoq)
 - Flexi Plans
 - Increased number of visitors

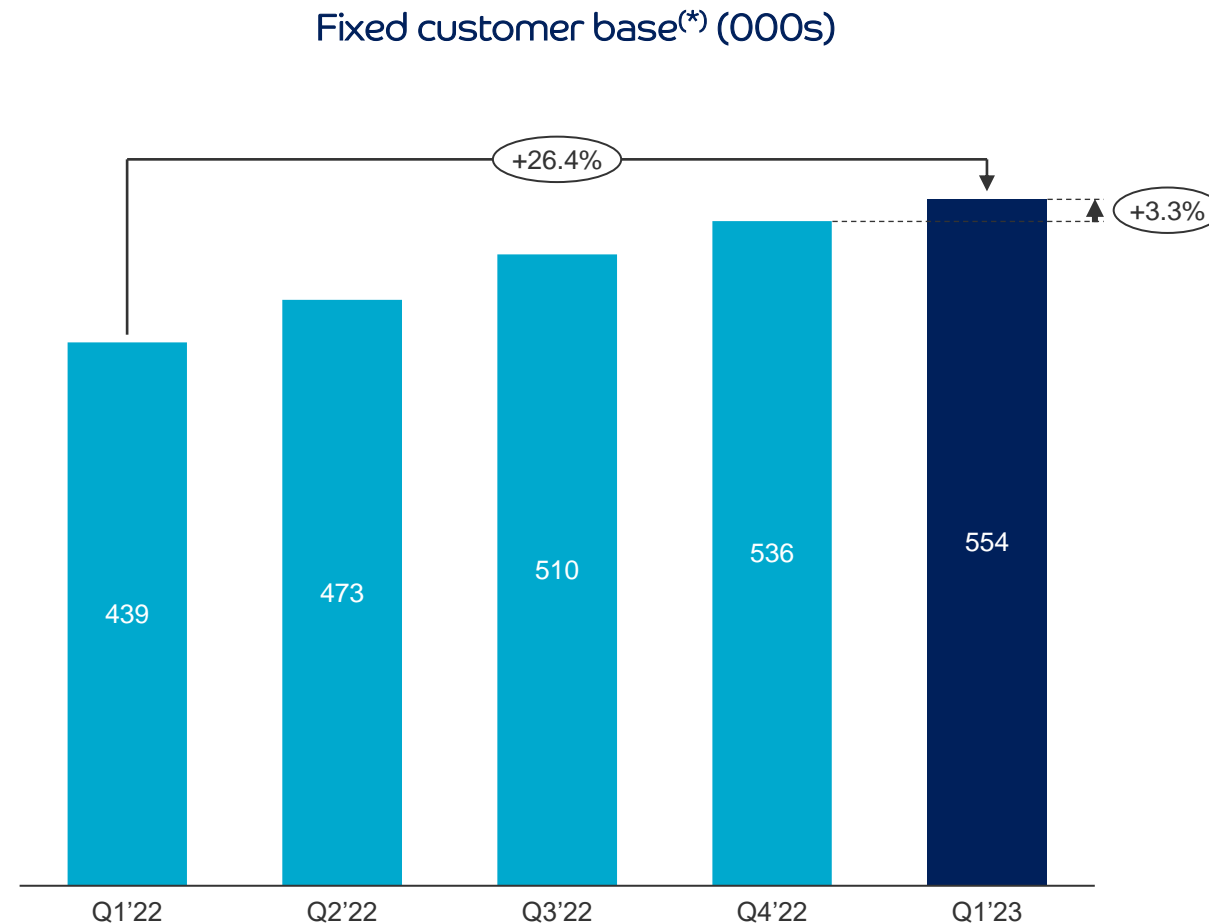


(*) Mobile customer base as per TDRA definition: A customer is accounted in the base if the customer has made, in the last 90 days, a traffic activity

Operating review

26.4% growth in fixed customer base

- Consistent subscriber base growth
 - Improved product and services for consumer and enterprise segments including the addition of Disney+
 - Expansion of our fibre network footprint by 13,000 homes passed



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

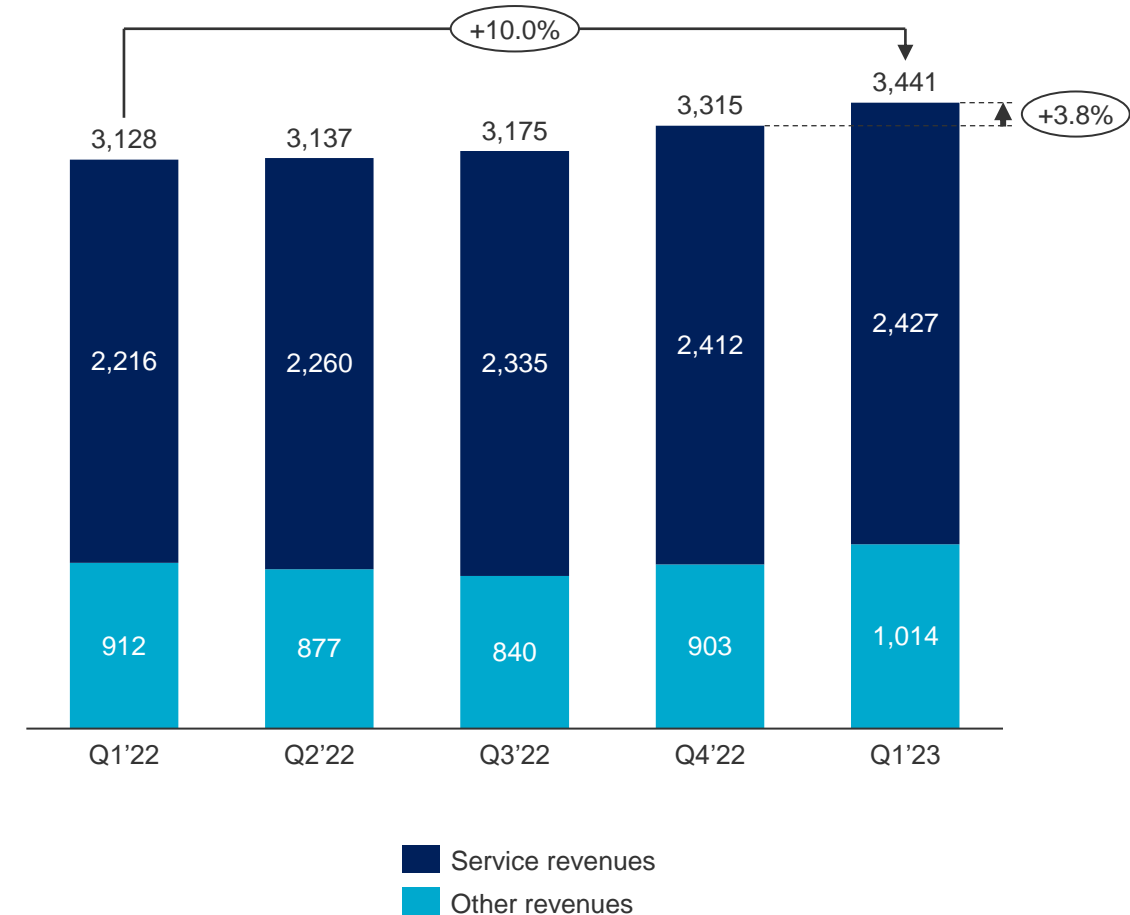
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Financial review

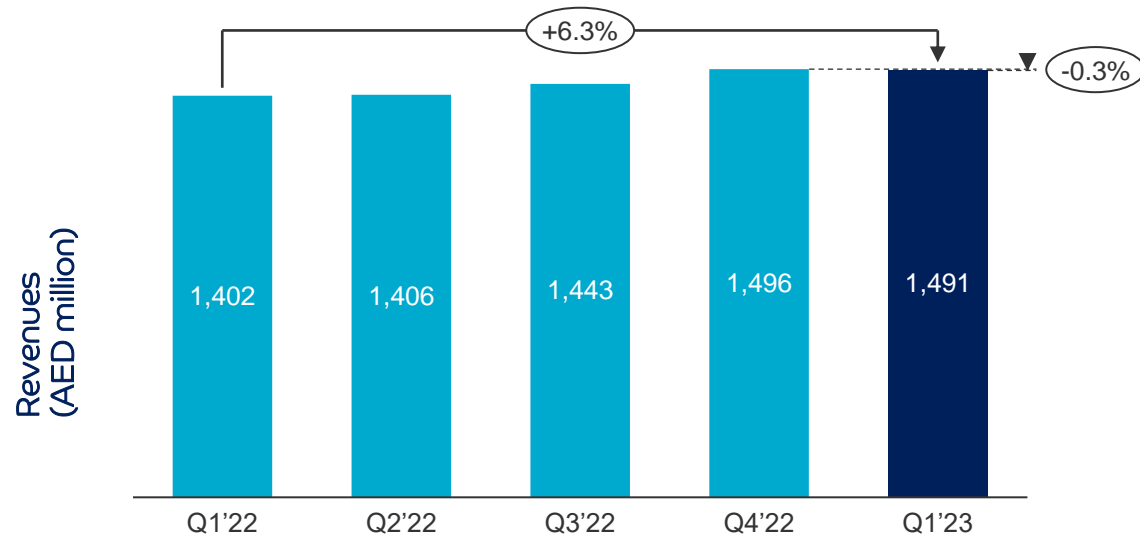
Revenues

- Service revenues: +9.5% yoy / +0.6% qoq
 - 8th consecutive quarter of growth
 - Mobile revenues driven by growth in the Postpaid segment
 - Home Wireless performing exceptionally
- Other revenues +11.2% yoy / +12.3% qoq
 - Robust growth driven by handset sales and roaming



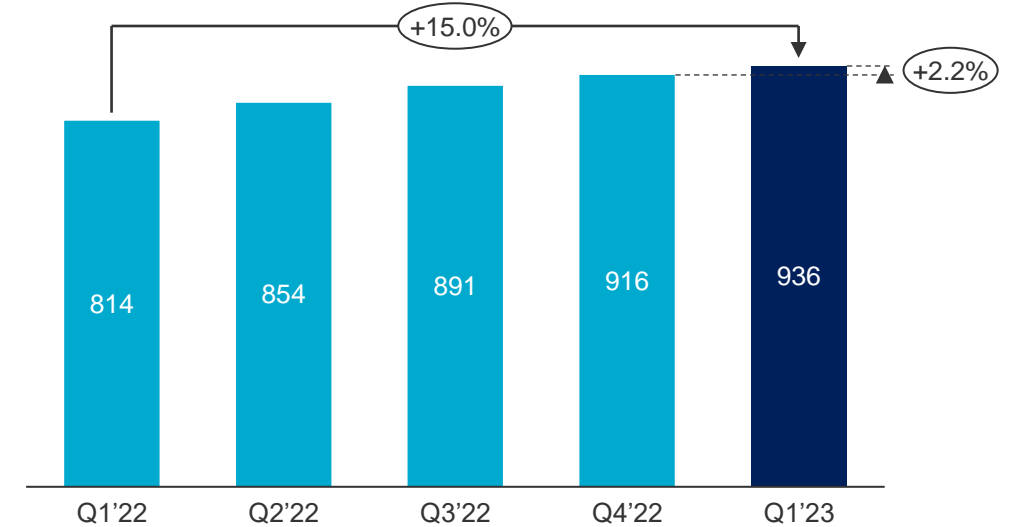
Financial review

Service revenues



Mobile services revenues grew 6.3% yoy

- Strong performance of postpaid segment
 - Higher customer base
 - Continued success of Unlimited Power Plans



Fixed services revenues grew 15.0% yoy

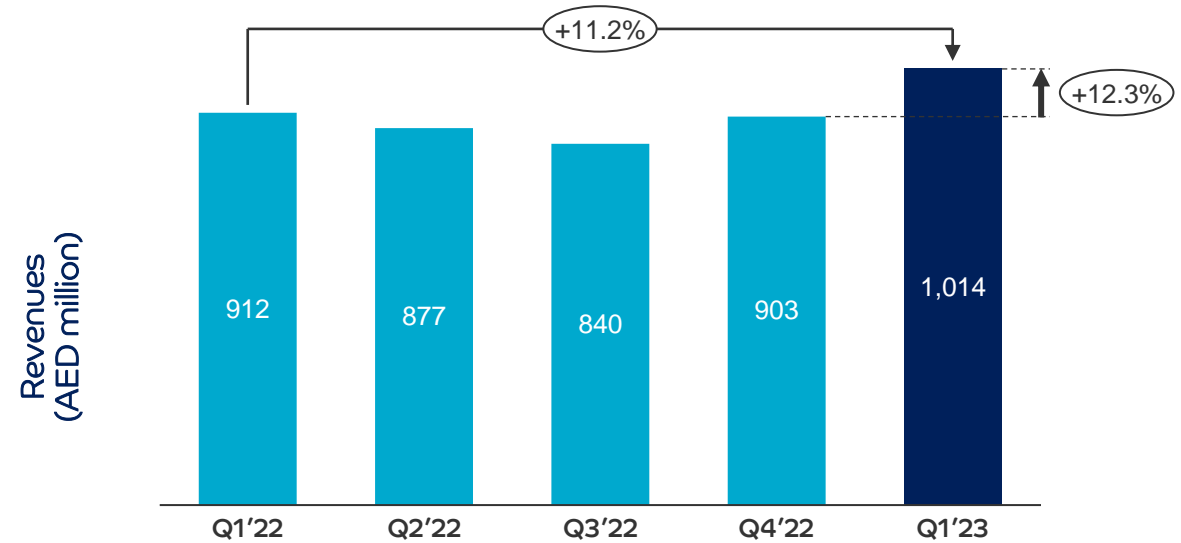
- Consumer segment represents a significant proportion of fixed revenues
 - Home Wireless continues to fuel growth
- Sustained growth in the Enterprise segment
 - Continued demand for voice and connectivity services

Financial review

Other revenues

Growth driven by equipment revenues and ICT

- Equipment revenues (+32.3% yoy)
 - Supply chain constraints have eased
 - Unabated demand for 5G handsets
- Sustained growth in ICT services
 - Healthy demand for datacentre and cloud services



Financial review

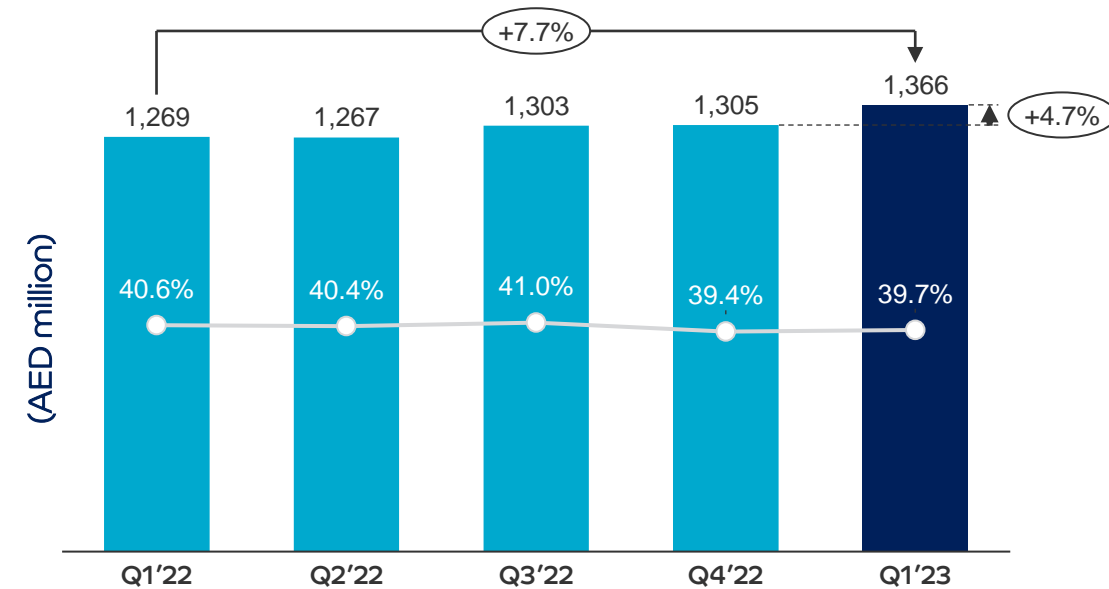
Consistent improvement of EBITDA

EBITDA grew by 7.7%

- Increase in gross profit driven by
 - higher service revenues
 - change in revenue mix is improving gross margin of core service revenues
- Indirect costs under control (-0.4% yoy) thanks to cost savings initiatives:
 - resources optimization, contract re-negotiation and automation

Offset by

- Marginal increase in network expenses
- Higher spectrum costs
 - network expansion, greater 5G usage
- Normalisation of provisions for receivables
 - Q1'22: AED 23 million released from provisions



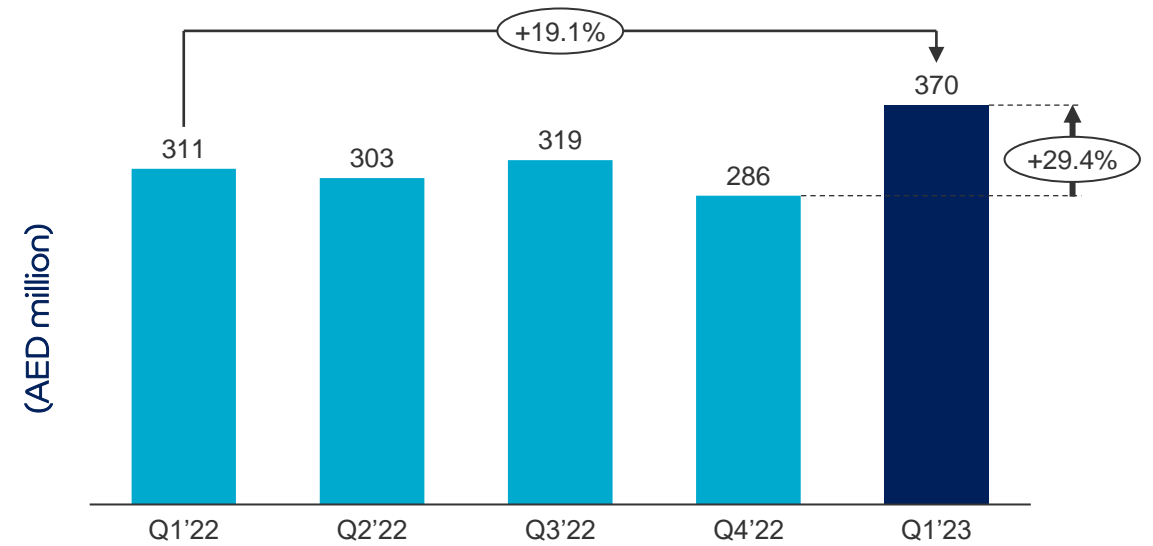
Financial review

Double-digit growth in Net profit

- 19% increase net profit due to 7.7% growth in EBITDA
- Finance income increased from AED 8.6 million to AED 20.3 million
 - higher interest rate environment
 - improved cash management

Offset by

- Higher royalty expense

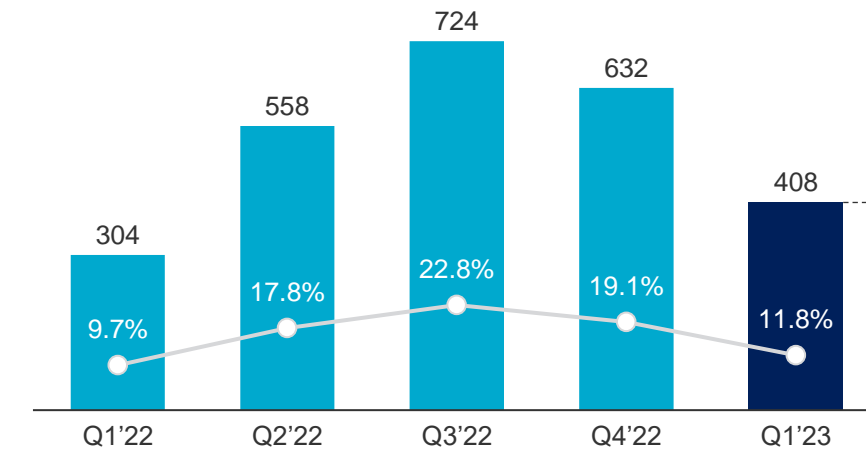


Financial review

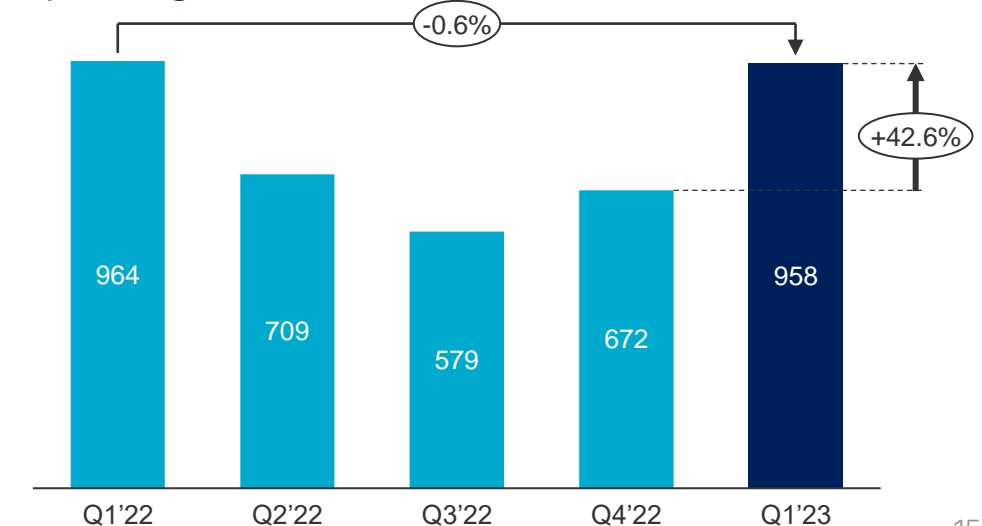
Capex and operating free cash flow

- Capex moderating:
 - 5G covers 94% of population and 60% of the country
 - Continuous fibre deployment
 - Continued transformation of IT and network infrastructure
- Stable operating free cash flow
 - EBITDA improvement
 - Capex variation due to phasing

Capex (AED million)



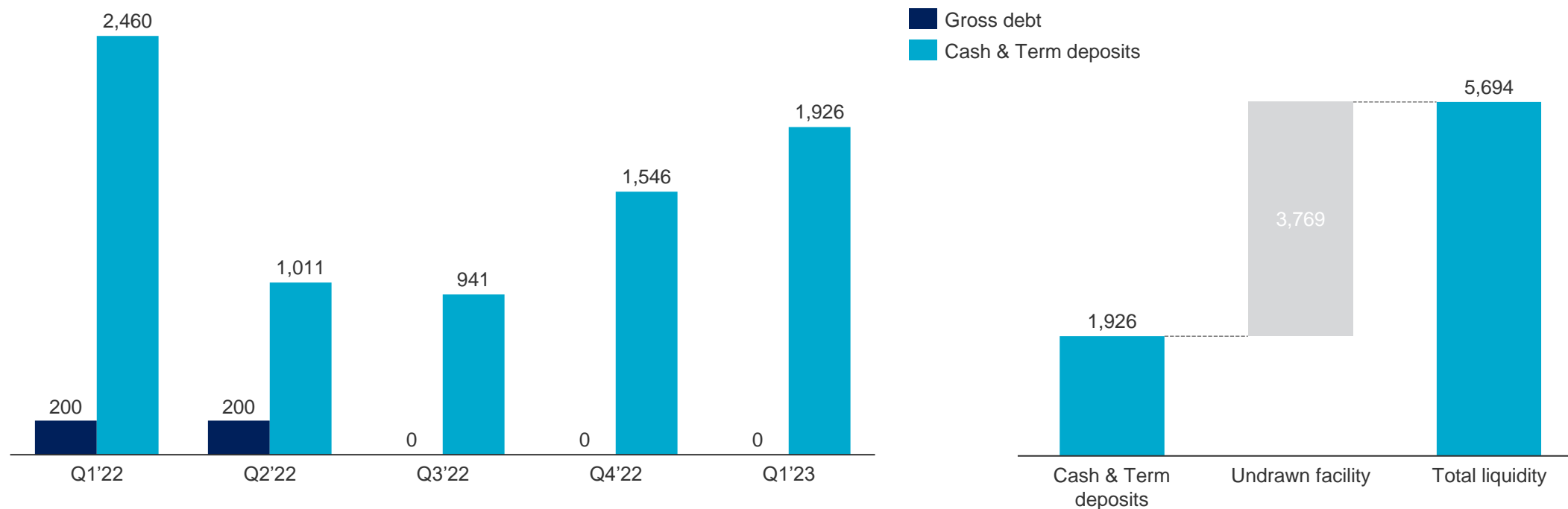
Operating free cash flow (AED million)



Financial review

Unleveraged balance sheet and strong liquidity position

(AED million)



- Strong balance sheet and healthy cash generated from our operations allow us to:
 - support the long-term needs of our business
 - maintain a regular and generous dividend distribution.
- Robust liquidity c. AED 5.7 billion

Outlook

2023

- We will continue to offer innovative products and develop new revenue streams
 - Differentiate through segmented and innovative offerings
 - Cater for the digital lifestyle needs of our customers
 - Enable advanced non-core solutions for our customers
- Move to digital-first and offer an outstanding customer experience
 - Adopt a digital-first approach in our products, services and channels
 - Radically simplify our product portfolio
 - Digitalise our customer journeys end-to-end across all touchpoints
- Deliver best-in-class digital IT and state-of-the-art technology
 - Deploy the best gigabit network for mobile and fixed services
 - Deploy an IT stack which is quick to change and easy to maintain
 - Unlock value from advanced analytics use cases

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Operating KPI

	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 Full-year	2023 Q1
Mobile customers ('000s), of which	7,489	7,418	7,402	7,895	7,895	8,194
Postpaid	1,371	1,395	1,427	1,480	1,480	1,528
Prepaid	6,118	6,022	5,975	6,415	6,415	6,666
Net-adds ('000s), of which	237	-72	-16	494	643	299
Postpaid	34	24	32	53	143	48
Prepaid	202	-96	-48	441	500	251
Mobile ARPU (AED)	88	87	88	90		88
Broadband customers ('000s)	439	473	510	536	536	554
<i>Net-adds ('000s)</i>	<i>48</i>	<i>35</i>	<i>37</i>	<i>27</i>	<i>146</i>	<i>18</i>

Appendix

P&L

	2022	2023	
AED million	Q1	Q1	change
Revenues	3,128.1	3,440.7	10.0%
Direct costs	-1,132.4	-1,289.5	13.9%
Indirect costs	-726.9	-785.2	8.0%
Other income	0.2	0.0	-72.5%
EBITDA	1,268.9	1,366.0	7.7%
<i>margin</i>	<i>40.6%</i>	<i>39.7%</i>	<i>-0.9%</i>
Depreciation, amortization	-423.4	-419.1	-1.0%
Goodwill impairment	0.0	0.0	N/M
Depreciation of right-of-use assets	-90.4	-94.0	4.0%
EBIT	755.1	852.9	13.0%
Net finance costs	2.8	14.3	403.7%
Interest expense on lease liabilities	-17.9	-17.8	-0.3%
Loss from joint-venture & associates	-2.6	-0.6	-75.3%
Gain/loss on disposal of associates	0.0	0.0	N/M
Profit before federal royalty	737.5	848.7	15.1%
Federal royalty	-426.3	-478.3	12.2%
Net profit	311.2	370.5	19.1%

Appendix

Cash flow statement

	2022	2023
AED million	Q1	Q1
Net profit	311	370
Adjustments for non-cash items		
Finance costs	6	4
Finance income	-9	-20
Impairment of investments	0	0
(Gain) loss on disposal of associates	0	0
Share of loss from joint-venture & associates	3	1
Goodwill impairment	0	0
Depreciation & impairment of property, plant and equipment	385	380
(Gain) loss on disposal of property, plant and equipment	0	1
Amortization of intangible assets	39	39
Depreciation of right-of-use assets	90	94
Interest expense on lease liabilities	18	18
Provision for EOSB	6	5
Release of EOSB	0	0
Provision for impairment of trade receivable, contract assets	33	79
Provision for inventory obsolescence	-1	0
Provision for impairment on term deposits	0	0
Provision for impairment on dues from related parties	0	0
Adjustment for change in discount rate	0	0
Unwinding of discount on asset retirement obligation	2	2
	571	602
Change in working capital		
(Increase)/Decrease in Inventories	-5	-60
(Increase)/Decrease in Trade receivables, contract assets & other assets	-180	-309
Increase/(Decrease) in Trade & other payables	387	433
(Increase)/Decrease in Contract costs	-26	-22
Increase/(Decrease) in Contract liabilities	2	-11
(Increase)/Decrease in Due from related parties	-10	32
Increase/(Decrease) in Due to related parties	2	1
	171	64
Cash generated from operations	1,052	1,036
Royalty paid (net)	0	0
Payment of employees' end of service benefits	-6	-7
Net cash generated from operating activities	1,046	1,030

	2022	2023
	Q1	Q1
Purchase of property, plant and equipment	-503	-489
Purchase of intangible assets	-42	-68
Interest received	3	7
Term deposit released (placed)	-300	100
Net cash used in investing activities	-841	-450
Repayment of lease liabilities	-39	-82
Interest paid	-3	0
Interest paid on lease liabilities	-18	-18
Net cash used in financing activities	-60	-99
Net change in cash and cash equivalents	145	480

Appendix

Balance sheet

AED million	As at 31-Dec-22	As at 31-Mar-23
Property, plant and equipment	9,426	9,407
Right-of-use assets	1,416	1,377
Intangible assets	549	557
Goodwill	413	413
Lease receivable - non current	125	116
Associates	8	7
Financial assets	5	5
Trade receivables, contract assets & other assets - non current	240	202
Contract costs - non current	199	213
	12,379	12,297
Inventories	95	155
Trade receivables, contract assets & other assets	2,154	2,441
Lease receivable	17	17
Derivatives financial instruments	0	0
Contract costs	284	292
Due from related parties	95	62
	2,645	2,967
Term deposits	675	575
Cash and cash equivalent	871	1,351
	1,546	1,926
	16,570	17,190

AED million	As at 31-Dec-22	As at 31-Mar-23
Share capital	4,533	4,533
Share premium	232	232
Retained earnings	1,878	1,622
Statutory reserves	2,127	2,164
	8,770	8,552
Lease liabilities - non-current	1,321	1,270
Contract liabilities - non-current	218	220
	1,539	1,490
Lease liabilities - current	738	763
Contract liabilities - current	467	454
	1,205	1,217
Trade & other payables	2,812	2,617
Accrued federal royalty	1,830	2,309
Provision for employees' end of service benefits	197	198
Dividends payable	0	589
Provisions for decommissioning	209	211
Due to related parties	6	7
	5,055	5,931
	16,570	17,190

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