

Q3 2023 Financial Results

Emirates Integrated Telecommunications Company PJSC

31 October 2023



Emirates Integrated Telecommunications Company PJSC

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Agenda

- Highlights
- Operating review
- Financial review
- Appendix

Q3 2023 highlights

Macro update

- The UAE economy is continuing to expand, benefitting from population growth, strong domestic activity and non-hydrocarbon GDP growth
 - Improvement in business conditions as shown by robust PMI reading of 56.7 in September
 - Demand for new workers, which has risen at their fastest pace since 2019
 - Visitor numbers in Jan-Aug 2023 exceed those of 2019*
- Potential headwinds
 - OPEC+ oil production cuts extended to the year-end
 - Higher-for-longer interest rates globally
 - Reduced tourism from slower global growth

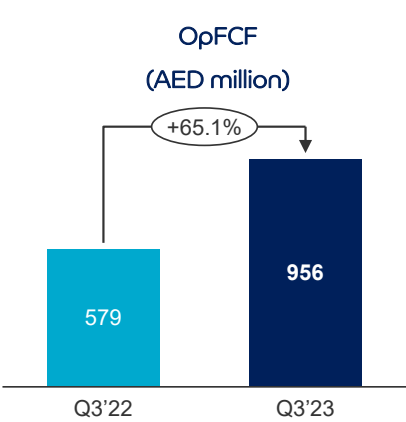
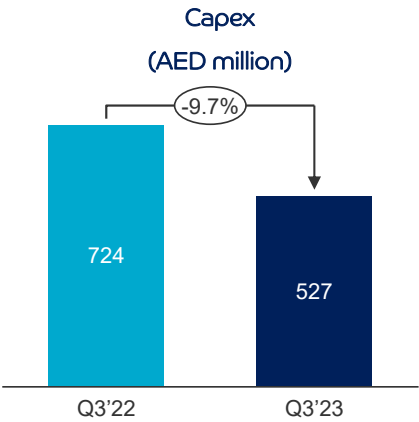
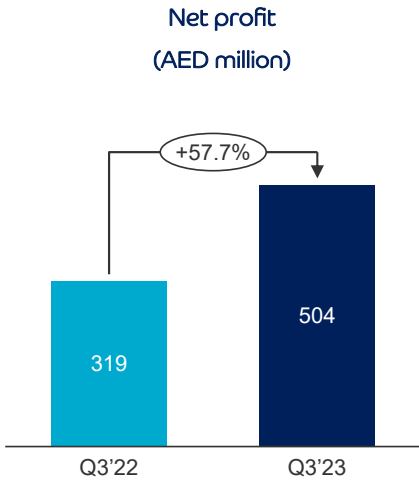
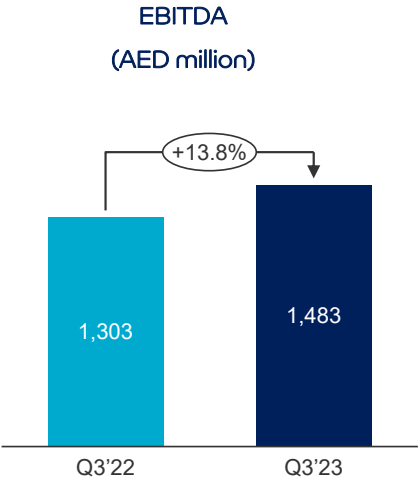
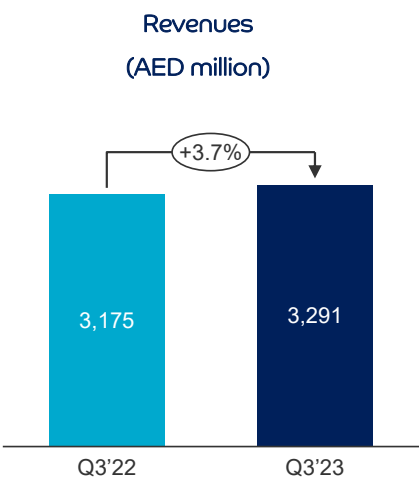
*Dubai Tourism Performance Report January - August 2023

Company update

- Products
 - Successful launch of the iPhone 15 with a significant number of pre-orders
- Partnerships
 - With MoHRE, launched Happiness SIM for blue-collar workers
 - With Esaad, providing discounts on postpaid plans
 - With GoDaddy, to provide all SMEs subscribing to du's broadband plan with GoDaddy's e-commerce Starter Kit
- Envision
 - Event in conjunction with MoIAT, showcasing our latest ICT solutions
- Network
 - Reached 98.5% 5G population coverage

Financial review

Highlights



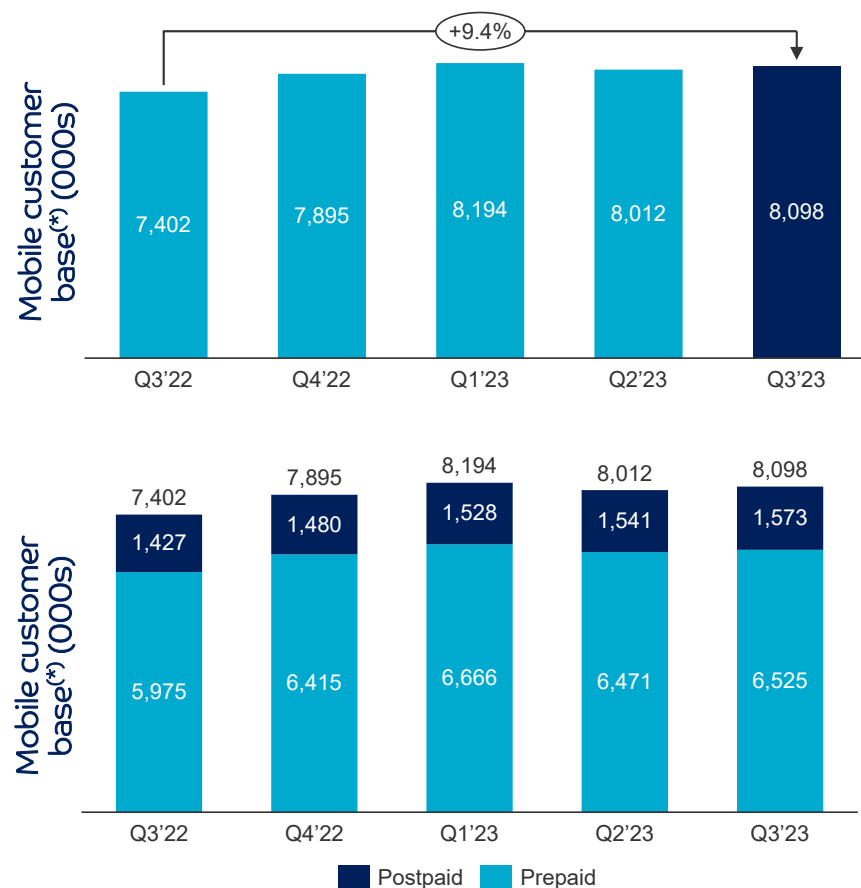
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Operating review

9.4% growth of mobile customer base

- **Robust growth in mobile subscriber base**
 - Population growth continues to boost demand
 - Executing on our strategy of innovative and attractive product offerings
 - Higher volume of activations
- **Postpaid segment (+10.3%)**
 - Enterprise : significant growth in enterprise postpaid driven by migration from prepaid to postpaid
 - Consumer: steady growth, with the launch of new partnerships (Esaad) and higher acquisition boosted by the latest iPhone launch
- **Prepaid segment (+9.2%)**
 - Excellent growth in consumer prepaid, supported by growth in Virgin Mobile
 - Significant increase in visitor SIMs reflecting the growth of visitors to the country



(*) 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

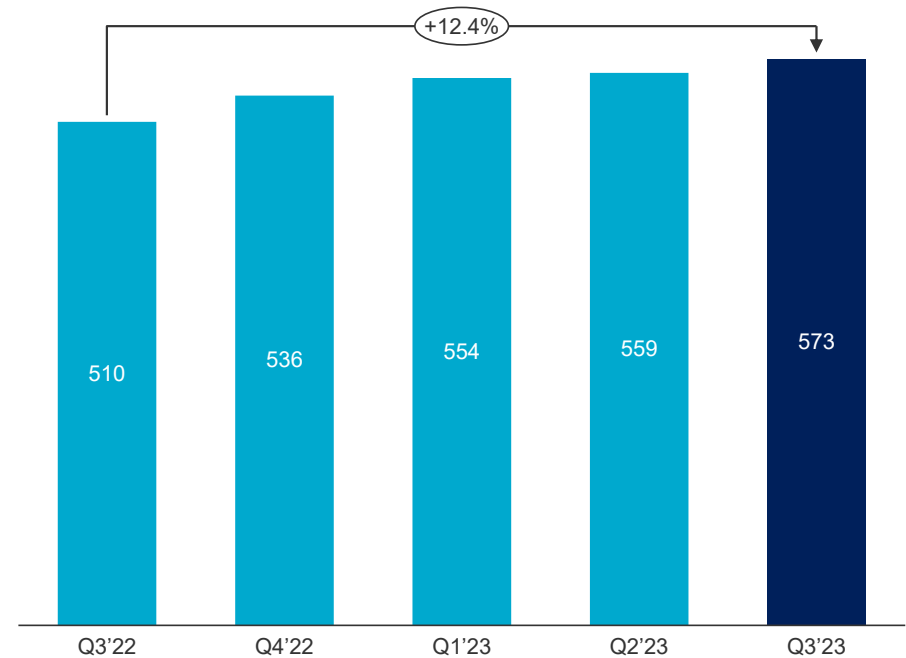
Operating review

12.4% growth in fixed customer base

- Our fixed subscriber base continues its double digit growth
 - Reflecting broadband strategy built around offering various means of access
 - Steady growth in Home wireless



Fixed customer base^(*) (000s)



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

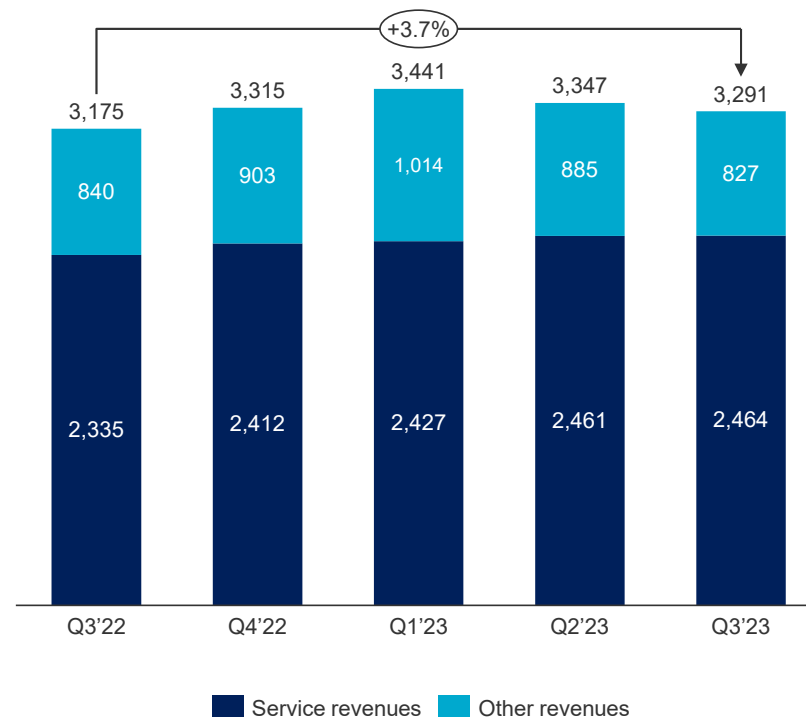
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Financial review

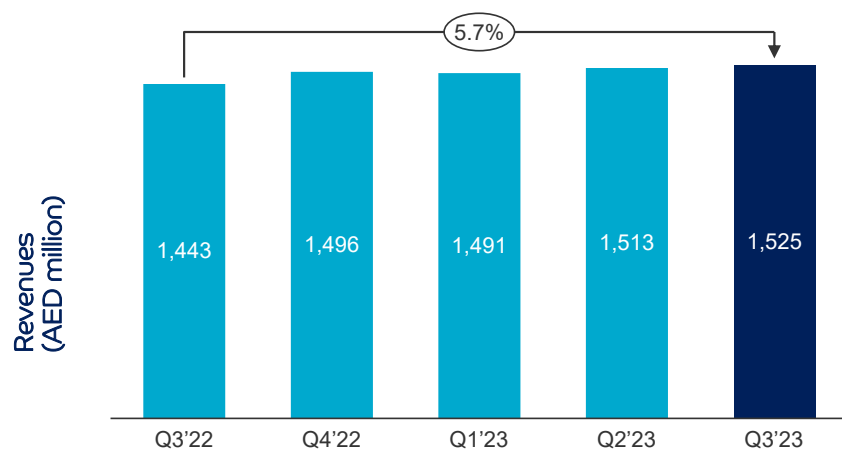
Revenues

- Service revenues: +5.5% yoy
 - 11th consecutive quarter of service revenue growth
 - Primarily driven by the mobile postpaid segment
 - Revenues from the fixed segment growing at a stable pace
- Other revenues -1.5% yoy
 - Modest decline in revenues primarily driven by reduction in handset sales and hubbing revenues, partially offset by mainly growth in roaming and ICT revenues



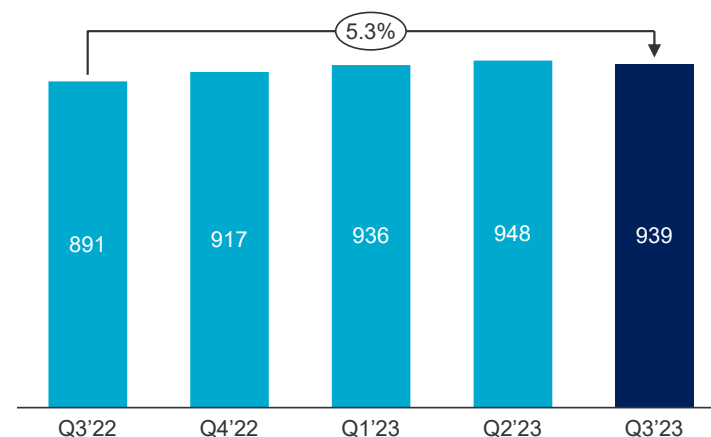
Financial review

Service revenues



Mobile services revenues grew 5.7% year-over-year

- Sustained strong performance of postpaid segment
 - Postpaid revenues continue to outperform, particularly from the Enterprise segment
 - Power Plans remain a strong driver of growth and contributing to the improvement of the overall revenue
- Stable growth of the prepaid segment



Fixed services revenues grew 5.3% year-over-year

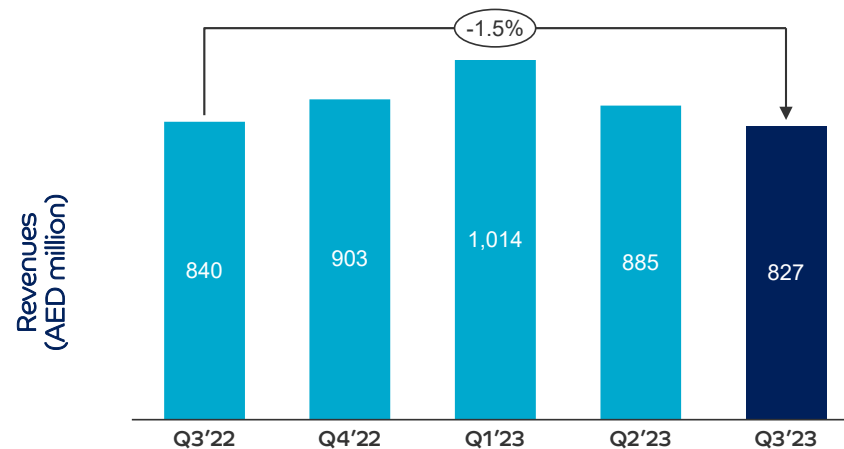
- Consumer segment maintaining healthy growth, with Home Wireless continuing to perform strongly
- Demand for Enterprise services remains healthy driven by demand for connectivity services

Financial review

Other revenues

Other revenues recorded a small decline

- Lower revenues from handset sales and hubbing
- Partially offset by:
 - Higher interconnect revenues due to increase in mobile base
 - ICT from the continuing demand for security, datacentre and cloud services
 - Higher revenues in inbound roaming due to increase in the number of visitors

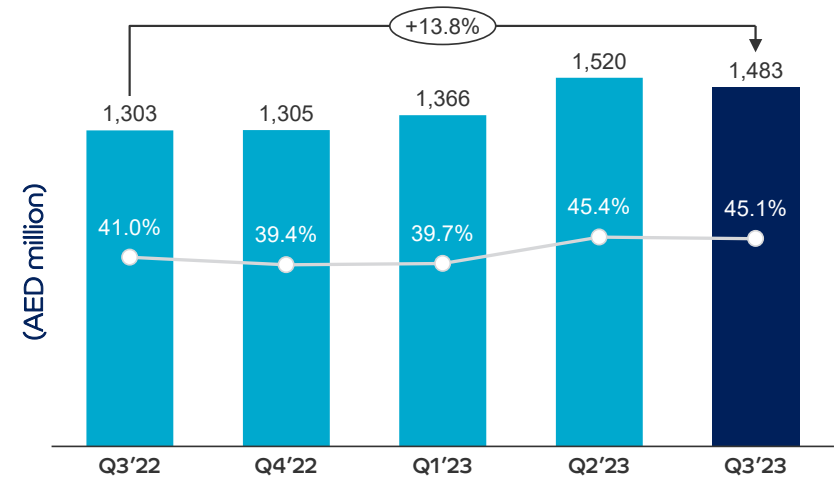


Financial review

Vigorous growth in EBITDA, with elevated margins

Significant growth of the EBITDA and EBITDA margin:

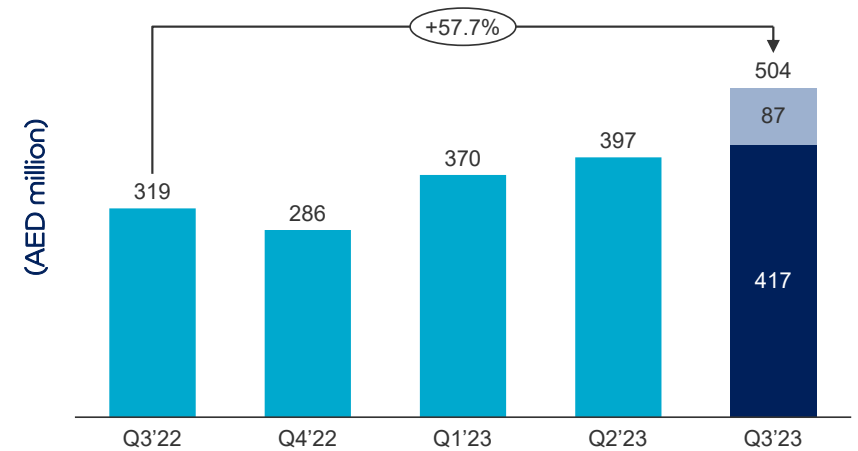
- Focus on profitable revenue growth and upgrade of the revenue mix resulting in improvement of gross margin
- Cost optimization efforts and operational efficiency leading to a modest reduction in Opex despite the significant growth



Financial review

Outstanding growth in Net profit

- Net profit soared 57.7% year-over-year and 26.8% quarter-over-quarter driven by
 - Double digit growth in EBITDA
 - Higher finance income
 - One-off reversals of AED 87m
- Without the one-off, Net profit would have recorded a year-over-year growth of 30.7% yoy

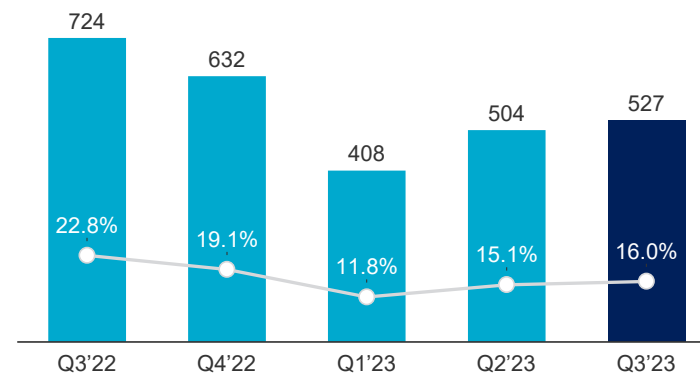


Financial review

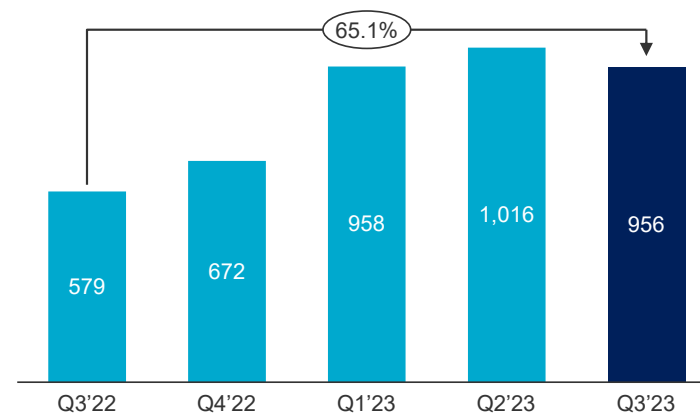
Capex and operating free cash flow

- Normalization of Capex, following the highs of 2022
 - Capex spend focused on
 - 5G deployment to enhance indoor coverage
 - IT and infrastructure transformation
 - Expansion of the fibre network
- Strong operating free cash flow generation
 - Higher operating cash flow due to EBITDA growth and Capex normalization

Capex (AED million)



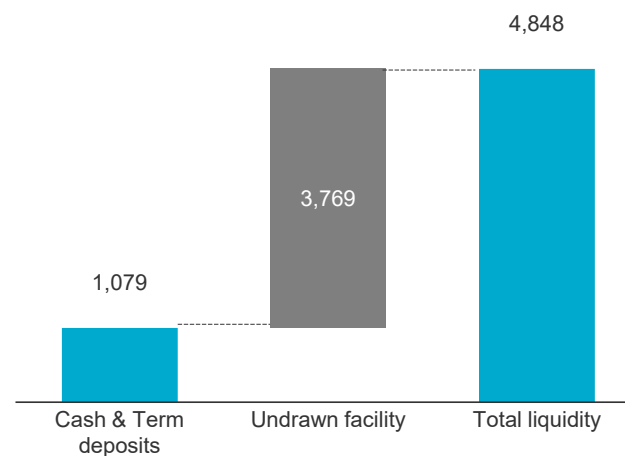
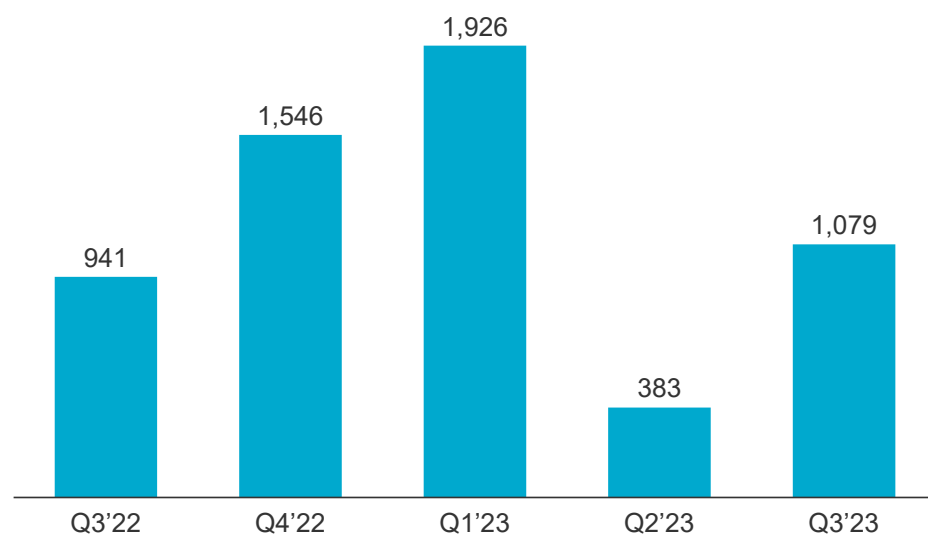
Operating free cash flow (AED million)



Financial review

Ample liquidity and strong balance sheet

Cash & Term deposits (AED million)



- Highly cash generative coupled with unlevered balance sheet
 - Provides flexibility in meeting the needs of the company
- Strong liquidity position with c. AED 4.8 billion available
 - Boosted by the recovery of cash balances following high outflows in Q2 (royalty payment)

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 Q2	2022 Q3	2022 Q4	2022 Full-year	2023 Q1	2023 Q2	2023 Q3
Mobile customers ('000s), of which	7,418	7,402	7,895	7,895	8,194	8,012	8,098
Postpaid	1,395	1,427	1,480	1,480	1,528	1,541	1,573
Prepaid	6,022	5,975	6,415	6,415	6,666	6,471	6,525
Net-adds ('000s), of which	-72	-16	494	643	299	-182	86
Postpaid	24	32	53	143	48	13	32
Prepaid	-96	-48	441	500	251	-195	54
Mobile ARPU (AED)	87	88	90	88	88	87	87
Broadband customers ('000s)	473	510	536	536	554	559	573
Net-adds ('000s)	35	37	27	146	18	5	14

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

Appendix

P&L

AED million	2022 Q3	2023 Q3	Change
Revenues	3,175	3,291	3.7%
Direct costs	-1,103	-1,065	-3.5%
Indirect costs	-769	-744	-3.3%
Other income	0	1	230.4%
EBITDA	1,303	1,483	13.8%
<i>Margin</i>	<i>41.0%</i>	<i>45.1%</i>	<i>9.8%</i>
Depreciation, amortization	-433	-457	5.6%
Goodwill impairment	0	0	N/M
Depreciation of right-of-use assets	-86	-95	9.9%
EBIT	784	931	18.8%
Net finance costs	-1	6	-1225.4%
Interest expense on lease liabilities	-18	-17	-3.8%
Loss from joint-venture & associates	-2	0	-83.7%
Gain/loss on disposal of associates	0	0	N/M
Profit before federal royalty	763	920	20.5%
Federal royalty	-444	-416	-6.3%
Net profit	319	504	57.7%

Appendix

Cash flow statement

AED million	2022 Q3	2023 Q3
Net profit	319	504
<i>Adjustments for non-cash items</i>	609	625
<i>Change in working capital</i>	553	770
Cash generated from operations	1,481	1,899
Royalty paid (net)	0	0
Payment of employees' end of service benefits	-11	-10
Net cash generated from operating activities	1,470	1,889
Purchase of property, plant and equipment	-643	-472
Purchase of intangible assets	-109	-69
Interest received	1	8
Term deposit released (placed)	-100	-627
Net cash used in investing activities	-851	-1,160
Dividends paid	-499	-589
Interest paid	-1	0
Interest paid on lease liabilities	-18	-17
Repayment of Lease liabilities	-71	-56
Net cash used in financing activities	-589	-662
Net change in cash and cash equivalents	30	67

Appendix

Balance sheet

AED million	As at 31-Dec-22	As at 30-Sep-23
Property, plant and equipment	9,426	9,504
Right-of-use assets	1,416	1,643
Intangible assets	549	598
Goodwill	413	413
Lease receivable	125	109
Associates	8	6
Financial assets	5	3
Trade receivables, contract assets & other assets	240	251
Contract costs	199	208
	12,379	12,735
Inventories	95	90
Trade receivables, contract assets & other assets	2,154	2,172
Lease receivable	17	18
Derivatives financial instruments	0	0
Contract costs	284	325
Due from related parties	95	31
	2,645	2,636
Term deposits	675	627
Cash and cash equivalent	871	452
	1,546	1,079
	16,570	16,449

AED million	As at 31-Dec-22	As at 30-Sep-23
Share capital	4,533	4,533
Share premium	232	232
Retained earnings	1,878	1,845
Statutory reserves	2,127	2,250
	8,770	8,860
Lease liabilities - non-current	1,321	1,499
Contract liabilities - non-current	218	215
	1,539	1,714
Lease liabilities - current	738	951
Contract liabilities - current	467	447
	1,205	1,398
Trade payables	2,812	2,524
Accrued federal royalty	1,830	1,538
Provision for employees' end of service benefits	197	197
Dividends payable	0	0
Provisions for decommissioning	209	214
Due to related parties	6	4
	5,055	4,477
	16,570	16,449

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