Q2 2023 results

Emirates Integrated Telecommunications Company PJSC

26 July 2023

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Agenda

- Highlights
- Operating review
- Financial review
- Appendix

Q2 2023 highlights

Macro update

- UAE economy continues to post strong growth
  - A solid reading of the PMI in June, the highest reading in four years driven by strong domestic demand.
  - Increasing employment and demand for new workers boosting the population growth

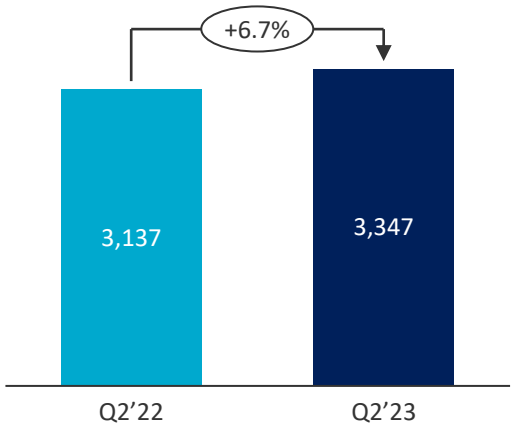
Company update

- Products
  - Home wireless entertainment: 12 months of free steaming on Disney+ or Amazon prime or OSN+
  - ICT: strategy bearing fruit with several contracts signed with leading UAE companies
- Network
  - 5G traffic now exceeds 4G traffic
  - Fixed: +14,000 homes passed
- Net Zero
  - Announcement of our commitment to achieving net zero Scope 1 and 2 emissions by 2030 and Scope 3 by 2050

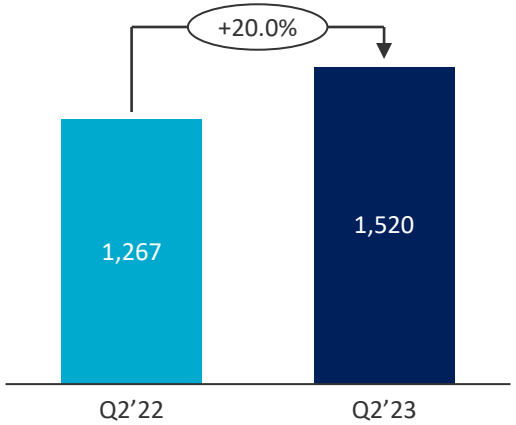
Financial review

Highlights

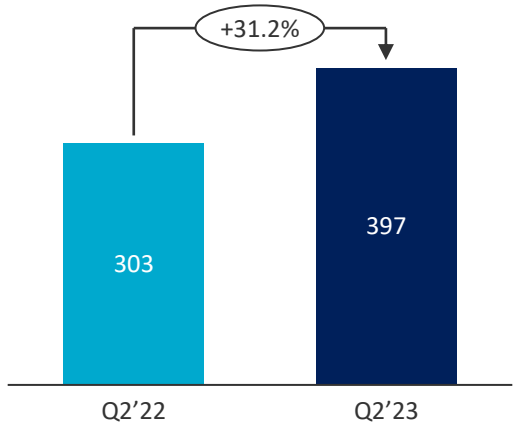
Revenues
(AED million)



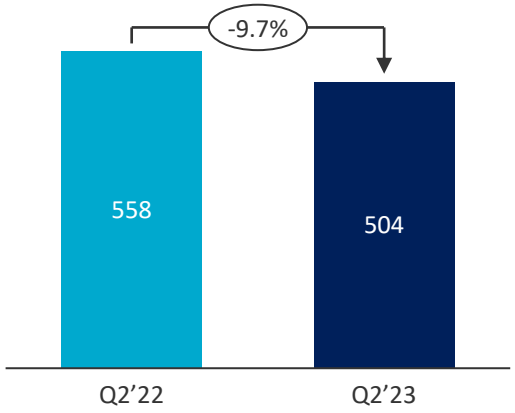
EBITDA
(AED million)



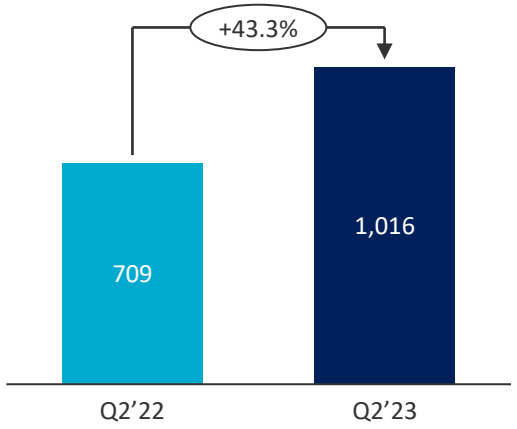
Net profit
(AED million)



Capex
(AED million)



OpFCF
(AED million)



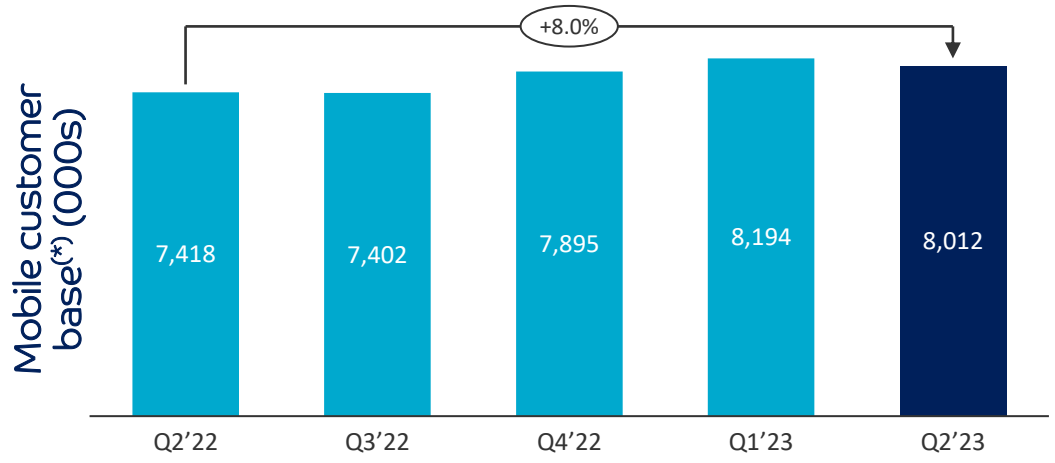
Agenda

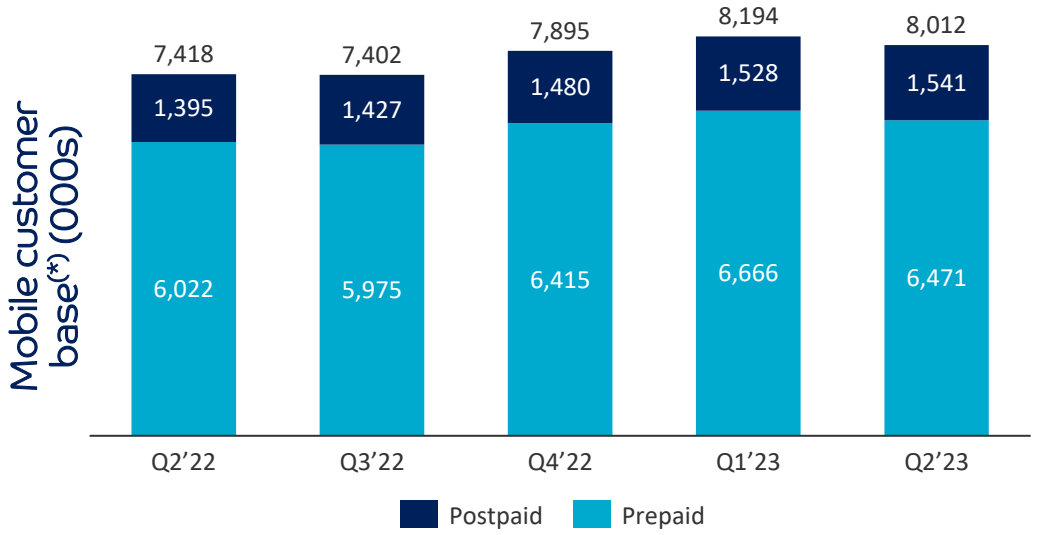
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Operating review

8% growth of mobile customer base

- Continued growth of the mobile subscriber base
  - Innovative and attractive product offerings
  - Population growth continues to boost demand
- **Postpaid segment** (+10.5%)
  - Consumer: Unlimited Power Plans with differentiated product offering
  - Enterprise : persistent growth in corporate and public sector customers
- **Prepaid segment** (+7.4%)
  - Flexi Plans
  - Significant increase in visitor numbers





(*) 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

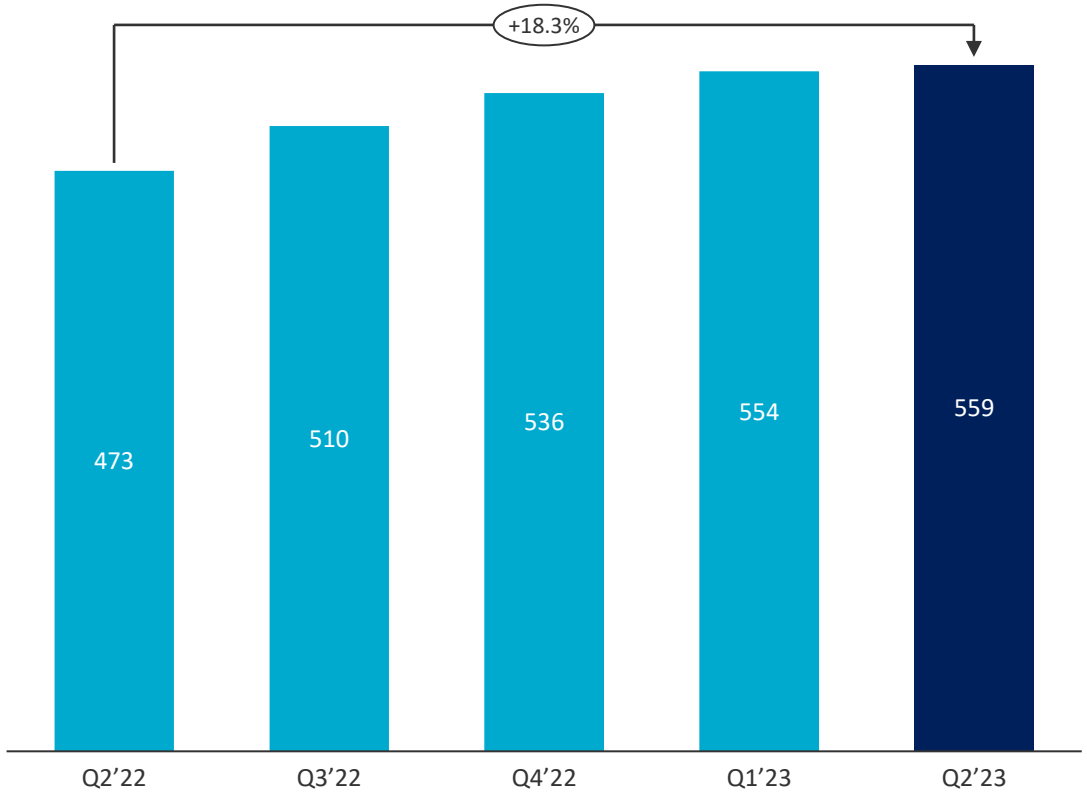
Operating review

18.3% growth in fixed customer base

- Consistent subscriber base growth
  - Strong demand for consumer broadband services, with the expansion of our fibre network footprint by 14,000 homes passed
  - Home Wireless continues its steady growth



Fixed customer base(*) (000s)



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

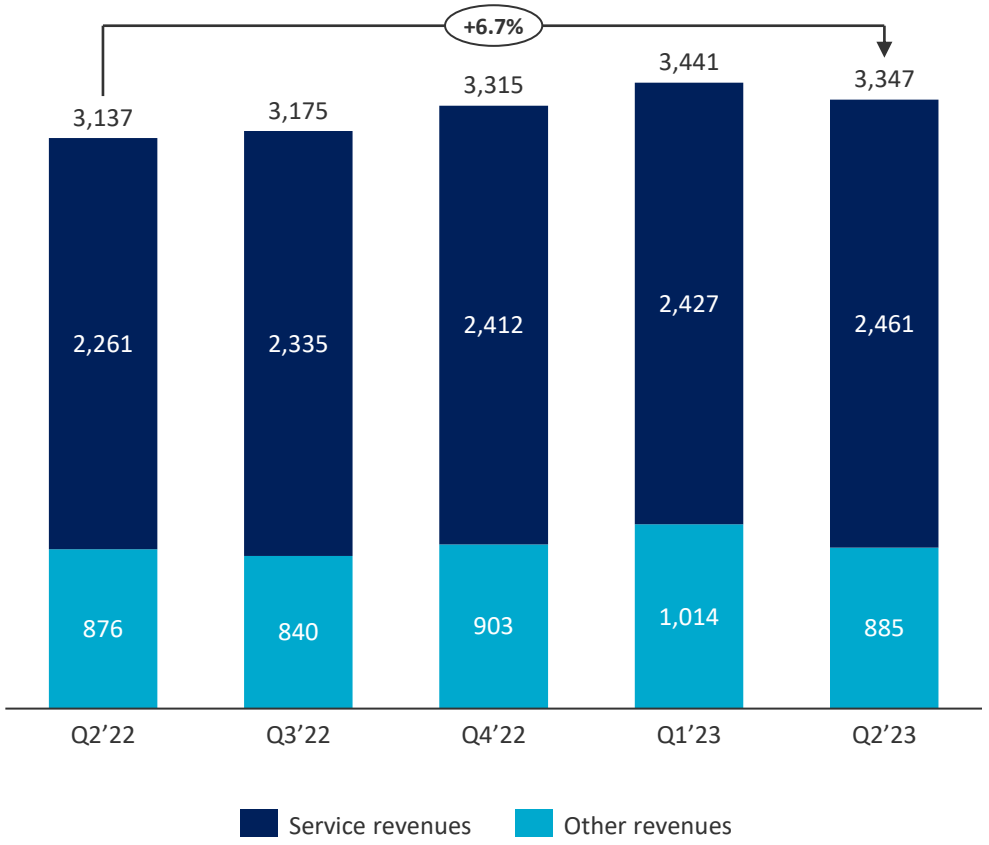
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Financial review

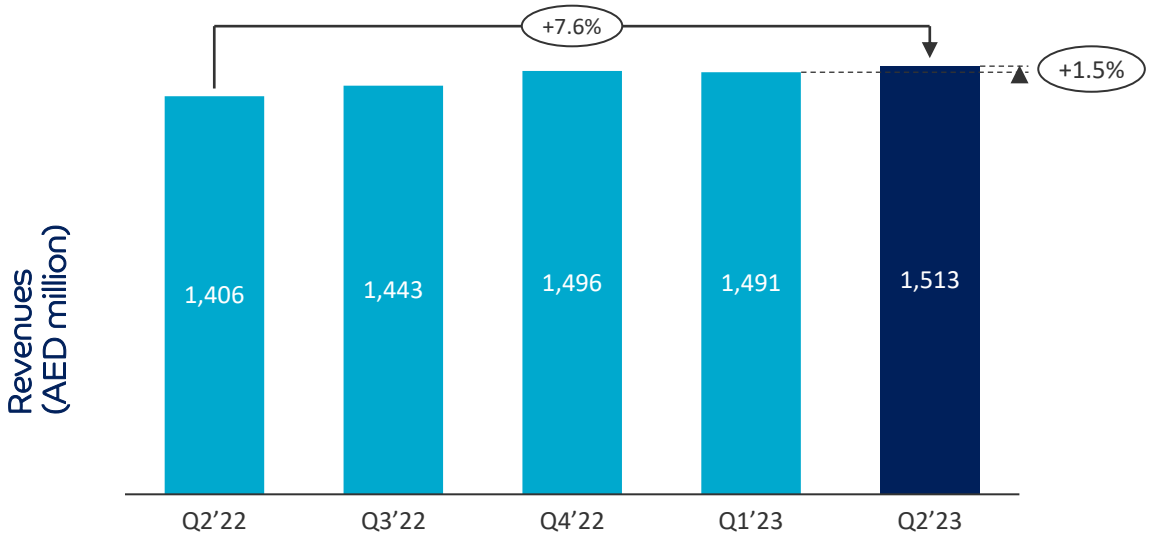
Revenues

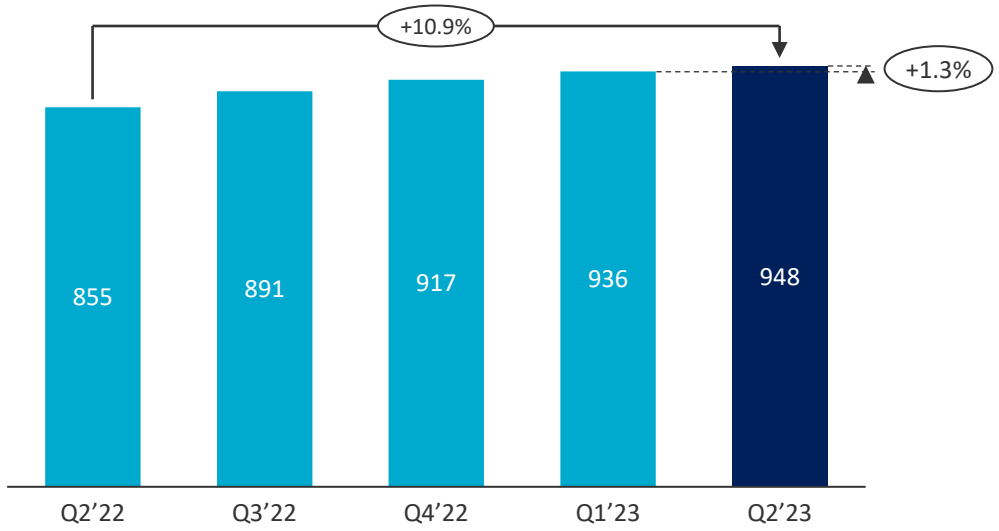
- Service revenues: +8.9% yoy
  - 10th consecutive quarter of service revenue growth
  - Postpaid segment driving the growth in mobile revenues
  - Fixed revenues growing at a stable pace, supported by robust Home Wireless performance
- Other revenues +1.1% yoy
  - Steady growth in Other revenues, Q2 revenues returning to normalcy after a significant increase in Q1 driven by handset sales



Financial review

Service revenues





Mobile services revenues grew 7.6% yoy

- Continued robust performance of postpaid segment
  - Sustained growth in postpaid customer base, particularly from the Enterprise segment
  - Unlimited Power Plans remain a strong driver of growth
  - Improved revenue mix

Fixed services revenues grew 10.9% yoy

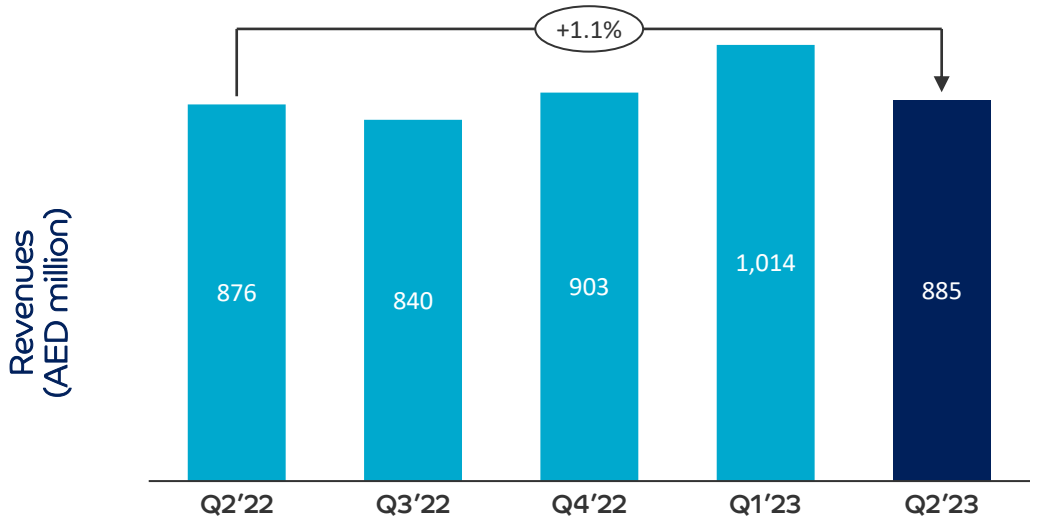
- Fixed service revenues bolstered by the consumer segment
  - Home Wireless continues to fuel growth
- Enterprise segment maintaining stable growth
  - Demand for voice and connectivity services

Financial review

Other revenues

Other revenues were flat

- Growth in revenues from ICT services
  - Healthy demand for security, datacentre and cloud services
- Higher revenues in roaming revenues
  - Increase in number of visitors
- Offset by
  - Revenues from lower margin handset sales and hubbing revenues

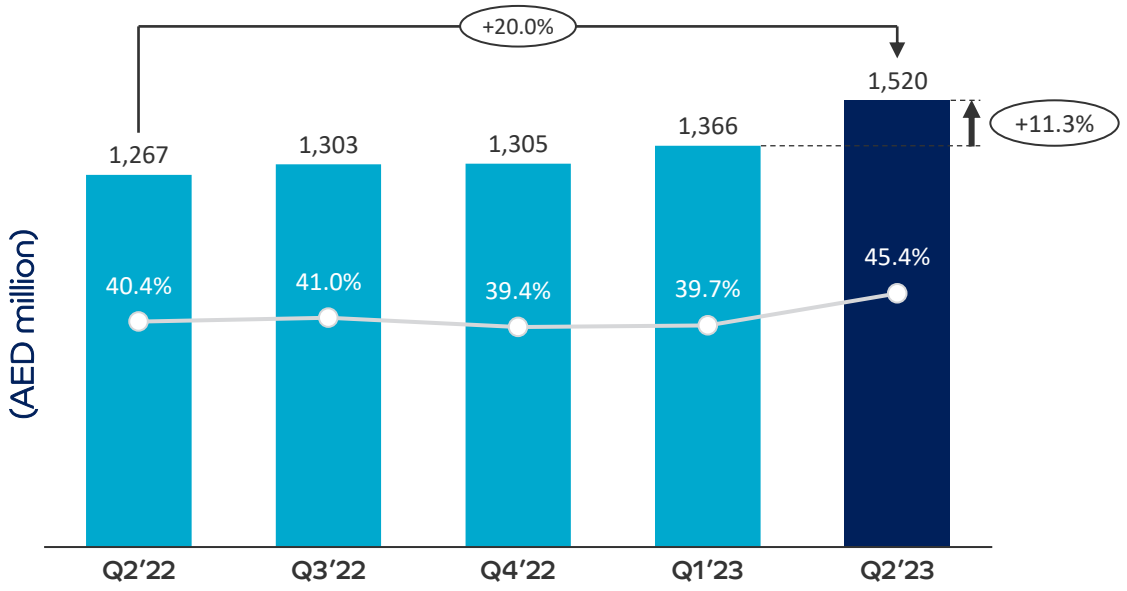


Financial review

Strong growth in EBITDA, backed with improving margins

Significant growth of the EBITDA and EBITDA margin yoy and qoq:

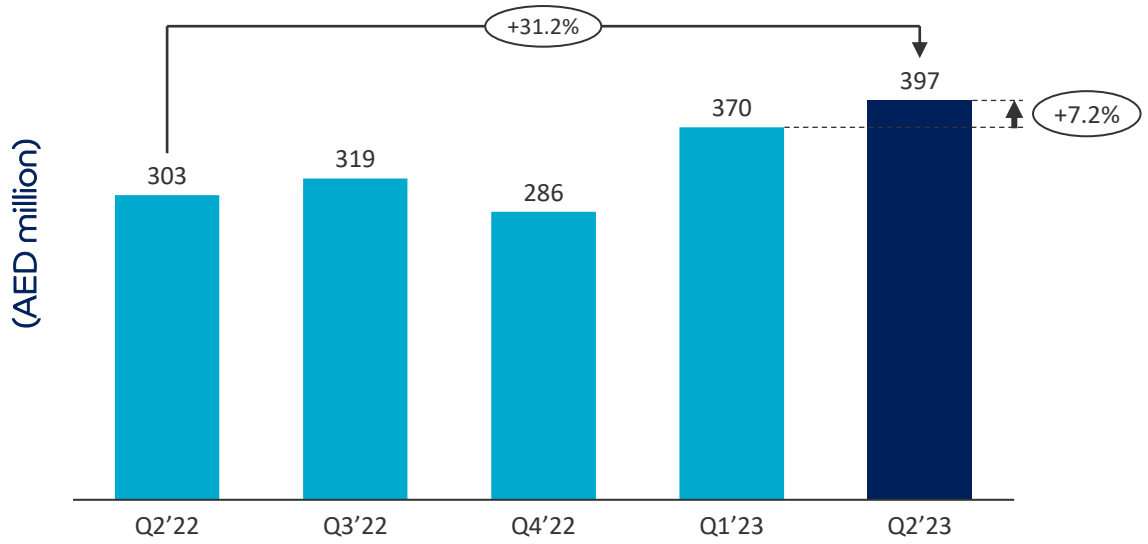
- Growth of revenues and improvement of the revenue mix toward products with higher profitability is leading to improvement of gross margin
- Positive one-off related to a settlement of an old dispute
- Control of the cost leading to a flat opex despite the significant growth



Financial review

Impressive growth in Net profit

- Net profit increased 31.2% yoy and 7.2% qoq driven by double digit growth in EBITDA partially offset by certain post EBITDA items



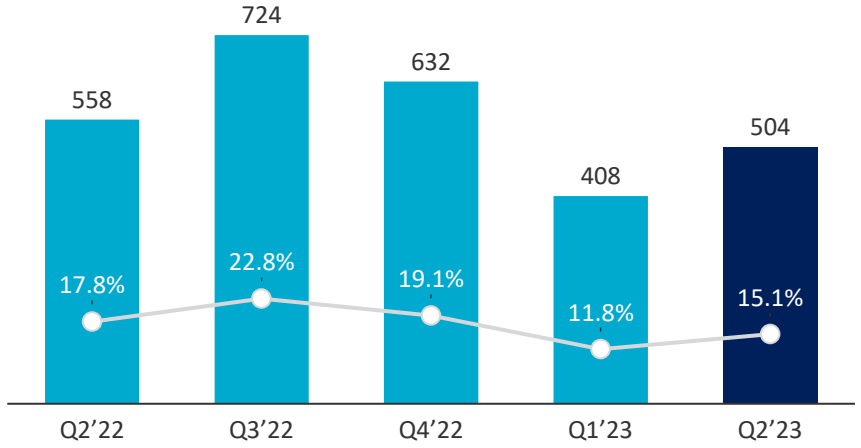
Financial review

Capex and operating free cash flow

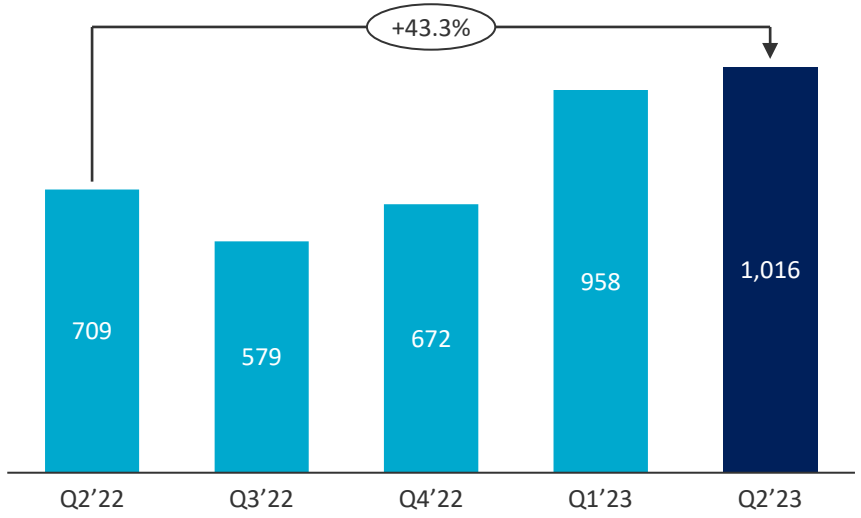
- Normalization of Capex
  - Continuation of 5G deployment and network modernisation
  - Fibre deployment to support fixed revenue growth
  - IT and infrastructure transformation

- Significant operating free cash flow generation
  - Cashflow continues to be strong supported by EBITDA growth and capex normalization

Capex (AED million)



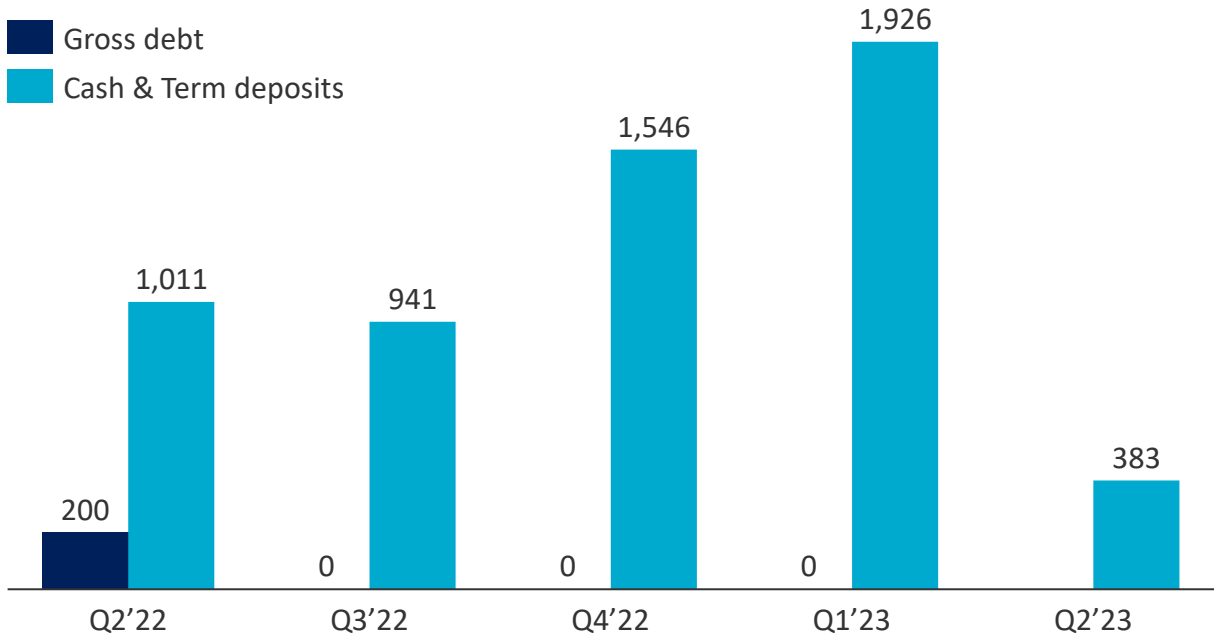
Operating free cash flow (AED million)

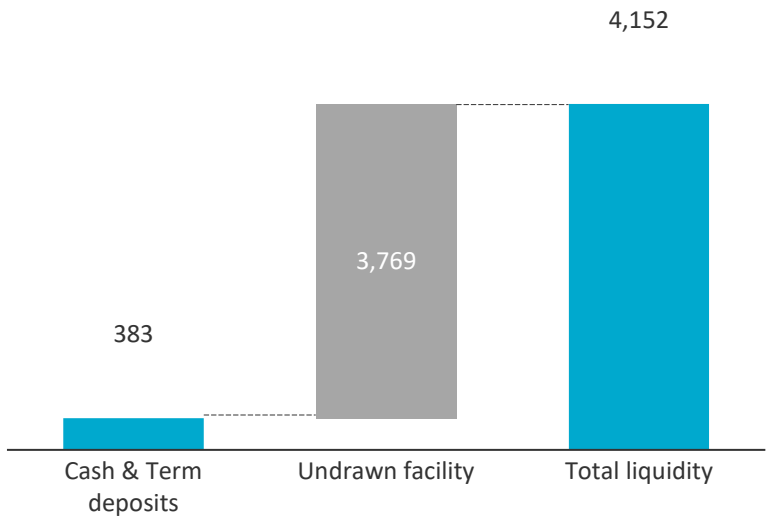


Financial review

Ample liquidity and strong balance sheet

(AED million)





- Healthy cash flow generation combined with strong balance Sheet
  - Provides flexibility for the long-term needs of our business
- Ample liquidity c. AED 4.2 billion
  - Reduction in cash balances vs Q1 following the payment of dividends and Royalty in Q2

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	2023 Q2
Mobile customers ('000s), of which	**7,489**	**7,418**	**7,402**	**7,895**	**7,895**	**8,194**	**8,012**
Postpaid	1,371	1,395	1,427	1,480	1,480	1,528	1,541
Prepaid	6,118	6,022	5,975	6,415	6,415	6,666	6,471
Net-adds ('000s), of which	**237**	**-72**	**-16**	**494**	**643**	**299**	**-182**
Postpaid	34	24	32	53	143	48	13
Prepaid	202	-96	-48	441	500	251	-195
Mobile ARPU (AED)	88	87	88	90		88	87
Broadband customers ('000s)	**439**	**473**	**510**	**536**	**536**	**554**	**559**
Net-adds ('000s)	48	35	37	27	146	18	5

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 Q2	2023 Q2	Change
Revenues	**3,136.9**	**3,346.6**	**6.7%**
Direct costs	-1,110.4	-1,051.5	-5.3%
Indirect costs	-759.8	-775.3	2.0%
Other income	0.0	0.5	992.2%
EBITDA	**1,266.8**	**1,520.3**	**20.0%**
Margin	*40.4%*	*45.4%*	5.0%
Depreciation, amortization	-427.6	-436.9	2.2%
Goodwill impairment	0.0	0.0	N/M
Depreciation of right-of-use assets	-86.0	-158.6	84.4%
EBIT	**753.2**	**924.8**	**8.4%**
Net finance costs	-0.7	0.5	-168.7%
Interest expense on lease liabilities	-18.1	-27.0	49.2%
Loss from joint-venture & associates	-1.9	-0.5	-71.8%
Gain/loss on disposal of associates	0.0	0.0	N/M
Profit before federal royalty	**732.5**	**897.8**	**22.6%**
Federal royalty	-429.7	-500.7	12.2%
Net profit	302.8	397.2	19.1%

Appendix

Cash flow statement

AED million	2022 Q2	2023 Q2
Net profit	303	397
Adjustments for non-cash items	571	711
Change in working capital	329	202
Cash generated from operations	**1,203**	**1,310**
Royalty paid (net)	-1,413	-1,688
Payment of employees' end of service benefits	-16	-5
Net cash generated from operating activities	**-226**	**-382**
Purchase of property, plant and equipment	-583	-438
Purchase of intangible assets	-31	-87
Interest received	13	27
Term deposit released (placed)	1,075	575
Net cash used in investing activities	**473**	**77**
Dividends paid	-499	-589
Interest paid	2	0
Interest paid on lease liabilities	-18	-27
Net cash used in financing activities	**-622**	**-662**
Net change in cash and cash equivalents	**-374**	**-968**

Appendix

Balance sheet

AED million	As at 31-Dec-22	As at 30-Jun-23
Property, plant and equipment	9,426	9,445
Right-of-use assets	1,416	1,693
Intangible assets	549	586
Goodwill	413	413
Lease receivable	125	118
Associates	8	7
Financial assets	5	3
Trade receivables, contract assets & other assets	240	277
Contract costs	199	208
	12,379	**12,749**
Inventories	95	131
Trade receivables, contract assets & other assets	2,154	2,287
Lease receivable	17	18
Derivatives financial instruments	0	0
Contract costs	284	310
Due from related parties	95	69
	2,645	**2,815**
Term deposits	675	0
Cash and cash equivalent	871	383
	1,546	**383**
	16,570	**15,947**

AED million	As at 31-Dec-22	As at 30-Jun-23
Share capital	4,533	4,533
Share premium	232	232
Retained earnings	1,878	1,980
Statutory reserves	2,127	2,202
	8,770	**8,947**
Lease liabilities - non-current	1,321	1,545
Contract liabilities - non-current	218	224
	1,539	**1,769**
Lease liabilities - current	738	916
Contract liabilities - current	467	447
	1,205	**1,363**
Trade payables	2,812	2,330
Accrued federal royalty	1,830	1,121
Provision for employees' end of service benefits	197	200
Dividends payable	0	0
Provisions for decommissionning	209	214
Due to related parties	6	3
	5,055	**3,867**
	16,570	**15,947**



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