

Telecom Egypt (ETEL)

Rising customer base and increased ARPU supported the top-line growth

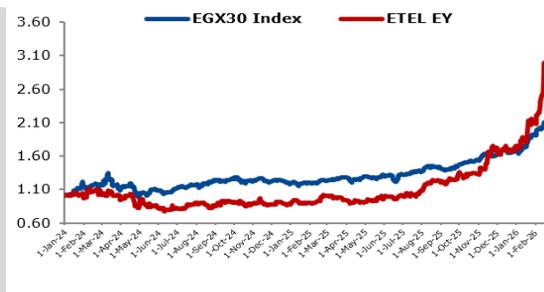
Current Price
EGP 89.00

Target Price
EGP 95.00

Upside/Downside (%)
+7%

Rating
HOLD

- The company expects revenue growth in high single digit and EBITDA margin in low 40's in 2026.
- Fixed line ARPU rose 35.2% YOY to EGP 329.3, and fixed data ARPU rose 30.1% YOY to EGP 48.74 in 4Q25.
- Telecom Egypt announced the completion of the 2Africa subsea cable system, developed in partnership with global consortium members strengthening long-term prospects for revenue diversification.
- Board of Directors proposed a dividend distribution of EGP 1.50 per share for 2025, subject to approval by the General Assembly.



4Q25 Net Profit lower than our estimate

Telecom Egypt's (the Company) net profit attributable to equity shareholders more than tripled from EGP 1,461 Mn in 4Q24 to EGP 5,586 Mn in 4Q25, exceeding our estimate of EGP 6,178 Mn. This robust growth is supported by strong revenue growth across both the Wholesale and Retail segments, higher income from associates, profit from discontinued operations and a decline in net finance cost, partially offset by an increase in selling & overhead and net operating expenses coupled with higher tax charges.

P&L Highlights

Telecom Egypt's revenue grew 21.6% YOY to EGP 28,610 Mn in 4Q25, mainly driven by strong growth in the Retail and Wholesale segments. Retail segment was the primary growth driver with revenue rising 41.8% YOY to EGP 16,630 Mn in 4Q25, with growing data revenue, supported by two price adjustments implemented across the retail portfolio in late 2024 coupled with expanding customer base. Revenue from Home Services grew 44.5% YOY to EGP 14,121 Mn in 4Q25, supported by a surge in Data and Voice revenue, coupled with higher ARPU and an increasing customer base. On the other hand, Enterprise Solution revenue grew 28.0% YOY to EGP 2,509 Mn in 4Q25, mainly driven by in-voice, data and other services. Wholesale segment revenue grew 1.6% YOY to EGP 11,981 Mn in 4Q25, primarily driven by an increase in Cable projects offsetting weaker performance in Domestic and International Carriers. Domestic Wholesale revenue decreased 18.5% YOY to EGP 2,411 Mn in 4Q25, due to a decrease in infrastructure & transmission revenue. Similarly, revenue from International Carriers declined 7.7% YOY to EGP 3,863 Mn in 4Q25, owing to a decrease in international calls traffic, while IC&N revenue increased 22.7% YOY to EGP 5,706 Mn due to healthy contribution from cable projects, capacity sales and data center, partially offset by decline in cables O&M and international customer support. Furthermore, operating costs rose 9.2% YOY to EGP 16,684 Mn in

Stock Information

| | |
|---------------------------|-------------|
| Market Cap (EGP, Mn) | 151,929.37 |
| Paid Up Capital (Mn) | 17,070.72 |
| 52 Week High | 112.98 |
| 52 Week Low | 33.21 |
| 3M Avg. daily value (EGP) | 123,256,800 |

4Q25 Result Review (EGP, Mn)

| | |
|-------------------|---------|
| Total Assets | 225,883 |
| Total Liabilities | 162,195 |
| Total Equity | 63,688 |
| EBITDA | 13,033 |
| Net Profit | 5,586 |

Financial Ratios

| | |
|-------------------------|-------|
| Dividend Yield (12m) | 1.67 |
| Dividend Pay-out (%) | 36.57 |
| Price-Earnings Ratio(x) | 7.47 |
| Price-to-Book Ratio (x) | 2.62 |
| Book Value (EGP) | 34.03 |
| Return-on Equity (%) | 31.90 |

Stock Performance

| | |
|------------------------|---------|
| 5 Days | -3.78% |
| 1 Months | 13.52% |
| 3 Months | 43.64% |
| 6 Months | 92.68% |
| 1 Year | 135.20% |
| Month to Date (MTD%) | -4.08% |
| Quarter to Date (QTD%) | 35.32% |
| Year to Date (YTD%) | 35.32% |

4Q25. Thus, gross profit grew significantly from EGP 8,243 Mn in 4Q24 to EGP 11,926 Mn in 4Q25, with a gross margin of 41.7% in 4Q25 compared to 35.0% in 4Q24. Selling and overhead expenses increased 21.5% YOY to EGP 4,173 Mn in 4Q25, mainly due to increasing marketing costs reflecting the timing of seasonal campaign. Telecom Egypt recorded other operating expenses of EGP 418 Mn in 4Q25, compared to EGP 53 Mn in 4Q24. However, operating profit rose from EGP 4,756 Mn in 4Q24 to EGP 7,334 Mn in 4Q25. Operating margins increased 542 bps YOY to 25.6% in 4Q25, reflecting solid operating momentum and a more favorable mix, supporting margin expansion. Similarly, the Company's EBITDA increased 38.8% YOY to EGP 13,033 Mn in 4Q25, whereas EBITDA margin surged from 39.9% in 4Q24 to 45.6% in 4Q25, demonstrating strong top line growth coupled with operational efficiency. Income from associates rose 18.5% YOY to EGP 3,940 in 4Q25, owing to the strong contribution from Vodafone Egypt caused by the price hike of telecom services. Net finance costs fell from EGP 6,395 in 4Q24 to EGP 2,856 in 4Q25, mainly due to partial debt repayment coupled with decrease in effective interest rate YOY. In addition, income tax rose from EGP 273 Mn in 4Q24 to EGP 2,888 Mn in 4Q25, owing to increased deferred tax expenses. Additionally, the Company recorded profit from discontinued operations grew from EGP 53 Mn in 4Q24 to EGP 61 Mn in 4Q25. Non-controlling interest increased 27.8% YOY to EGP 5 Mn in 4Q25.

Balance Sheet Highlights

Telecom Egypt's cash and cash equivalents increased from EGP 7.4 Bn in 3Q25 to EGP 8.3 Bn in 4Q25. The Company's total debt stood at EGP 73.8 Bn in 4Q25, down from EGP 76.4 Bn in 3Q25 due to partial repayment of debt. The annualized net debt to EBITDA ratio stood at 1.3x in 2025 compared to 1.5x in 9M25. The Company's in-service capex stood at EGP 20.4 Bn in 2025 with 68% contributed to access network, while the cash capex (excluding mobile licenses) is EGP 29.4 Bn in 2025. Telecom Egypt's net cash from operating activities increased from EGP 5.9 Bn in 3Q25 to EGP 15.0 Bn in 4Q25, reflecting stronger cash generation and improved working capital efficiency.

Target Price and Rating

We revise our rating on Telecom Egypt from BUY to HOLD with a revised target price of EGP 95.00. Telecom Egypt delivered a strong set of results in 4Q25, underpinned by higher ARPU, continued subscriber growth, rising call traffic and effective pricing actions across the Retail business segments. In 4Q25, the Company's total customer base expanded meaningfully, with mobile subscribers increasing 10.4% YOY to 15.5 Mn. Fixed broadband subscribers grew 8.5% YOY to 11.1 Mn, while fixed-line users rose 6.9% YOY to 14.1 Mn. This growth was supported by ongoing enhancements in network quality and a customer-centric commercial strategy aimed at improving service delivery and retention. Data continued to serve as the primary growth engine, reflecting increasing consumption trends and highlighting the strategic importance of the Company's sustained network investments in supporting Egypt's digital transformation agenda. Notably, the Company's ARPU for fixed voice and fixed broadband services increased 35.2% YOY to EGP 329.30 and 30.1% YOY to EGP 48.74, respectively, largely driven by the price adjustments implemented in late 2024. On the strategic front, Telecom Egypt announced the completion of the 2Africa subsea cable system, developed in partnership with global consortium members including China Mobile International, Meta, Orange and Vodafone Group. This project reinforces its position as a strategic connectivity hub linking Africa, Asia and Europe, strengthening long-term prospects for revenue diversification, infrastructure monetization and sustained growth in data transit services. The Company also introduced the 2026–2030 National Spectrum Strategy, which aligns with its plans to roll out next-generation services, expand long-term network capacity and enhance execution capabilities. Looking ahead, the Company remains focused on sustainable value creation in 2026, with disciplined capital allocation to maximize returns and continued efforts to enhance customer experience across its integrated service offerings. On the cash flow front, the Company recorded a significant improvement in liquidity generation, with net cash from operating activities rising to EGP 15.0 Bn in 4Q25, compared to EGP 5.9 Bn in 3Q25. Free cash flow to the firm (FCFF) reached EGP 21.1 Bn in 2025, reflecting stronger operating performance and improved working capital management. The Company's Board of Directors proposed a dividend distribution of EGP 1.50 per share for 2025, subject to approval by the General Assembly. For 2026, Telecom Egypt guides for high single-digit revenue growth, EBITDA margins in the low-40% range, Capex-to-sales in the low-20% range (in-service), and FCFF-to-EBITDA in the mid-30% range, reflecting confidence in sustained operational and financial performance. Thus, based on our analysis, we assign a HOLD rating on the stock.

Telecom Egypt - Relative valuation

| (at CMP) | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F |
|----------------|--------|--------|--------|--------|--------|--------|
| PE | 20.67 | 19.46 | 15.36 | 18.76 | 7.52 | 6.76 |
| PB | 3.46 | 3.30 | 3.01 | 3.34 | 2.41 | 1.83 |
| EV/EBITDA | 11.64 | 10.37 | 8.46 | 6.94 | 4.68 | 4.59 |
| BVPS | 25.960 | 27.168 | 29.798 | 26.897 | 37.284 | 49.059 |
| EPS | 4.343 | 4.614 | 5.847 | 4.786 | 11.933 | 13.274 |
| DPS (EGP) | 1.000 | 1.250 | 1.500 | 1.500 | 1.500 | 1.500 |
| Dividend yield | 1.1% | 1.4% | 1.7% | 1.7% | 1.7% | 1.7% |

FABS Estimates & Co Data
Telecom Egypt - P&L

| EGP Mn | 4Q24 | 3Q25 | 4Q25 | 4Q25F | Var | YOY Ch | QOQ Ch | 2024 | 2025 | Change |
|-------------------------------------|--------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------|
| Operating Revenue | 23,522 | 27,634 | 28,610 | 27,433 | 4.3% | 21.6% | 3.5% | 81,678 | 106,673 | 30.6% |
| Operating costs | -15,279 | -15,691 | -16,684 | -16,633 | 0.3% | 9.2% | 6.3% | -51,185 | -61,834 | 20.8% |
| Gross profit | 8,243 | 11,944 | 11,926 | 10,800 | 10.4% | 44.7% | -0.1% | 30,493 | 44,839 | 47.0% |
| Selling & overhead exp | -3,434 | -3,664 | -4,173 | -4,034 | 3.4% | 21.5% | 13.9% | -12,835 | -14,720 | 14.7% |
| Net operating revenue | -53 | -1,306 | -418 | -138 | NM | NM | NM | -301 | -2,076 | NM |
| Operating profit | 4,756 | 6,974 | 7,334 | 6,628 | 10.7% | 54.2% | 5.2% | 17,357 | 28,042 | 61.6% |
| EBITDA | 9,392 | 12,499 | 13,033 | 8,820 | 47.8% | 38.8% | 4.3% | 32,623 | 47,495 | 45.6% |
| Income from Associates | 3,324 | 4,157 | 3,940 | 4,271 | -7.8% | 18.5% | -5.2% | 8,663 | 14,828 | NM |
| Net Finance inc/(cost) | -6,395 | -2,431 | -2,856 | -3,120 | -8.4% | -55.3% | 17.5% | -15,758 | -11,959 | -24.1% |
| Profit before zakat | 1,685 | 8,700 | 8,418 | 7,780 | 8.2% | NM | -3.2% | 10,261 | 30,911 | NM |
| Income tax | -273 | -2,303 | -2,888 | -1,586 | NM | NM | 25.4% | -383 | -8,569 | NM |
| Profit before NCI | 1,411 | 6,397 | 5,530 | 6,194 | -10.7% | NM | -13.5% | 9,878 | 22,342 | NM |
| Non-controlling interest | -4 | -6 | -5 | -16 | NM | 27.8% | NM | -13 | -23 | NM |
| Profit from discontinued operations | 53 | 70 | 61 | 0 | NM | NM | NM | 234 | 237 | NM |
| Net Profit | 1,461 | 6,461 | 5,586 | 6,178 | -9.6% | NM | -13.5% | 10,098 | 22,555 | NM |

FABS estimate & Co Data
Telecom Egypt - Margins

| | 4Q24 | 3Q25 | 4Q25 | YOY Ch | QOQ Ch | 2024 | 2025 | Change |
|------------------|-------|-------|-------|--------|--------|-------|-------|--------|
| Gross Profit | 35.0% | 43.2% | 41.7% | 664 | -154 | 37.3% | 42.0% | 470 |
| EBITDA | 39.9% | 45.2% | 45.6% | 563 | 32 | 39.9% | 44.5% | 458 |
| Operating Profit | 20.2% | 25.2% | 25.6% | 542 | 40 | 21.2% | 26.3% | 504 |
| Net Profit | 6.2% | 23.4% | 19.5% | NM | -386 | 12.4% | 21.1% | 878 |

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF) and the Relative Valuation (RV) method to value Telecom Egypt. We have assigned 80% weight to DCF and 20% to the RV method.

| Valuation Method | Target | Weight | Weighted Value |
|---|--------|--------|----------------|
| DCF Method | 95.08 | 80.0% | 76.06 |
| Relative Valuation (RV) | 94.68 | 20.0% | 18.94 |
| Weighted Average Valuation (EGP) | | | 95.00 |
| Current market price (EGP) | | | 89.00 |
| Upside/Downside (%) | | | +7% |

1) DCF Method:

Telecom Egypt is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 12.2%. It is arrived at after using the cost of equity of 12.3% and an after-tax cost of debt of 11.9%. Cost of equity is calculated by using a 10-year government bond yield of 4.3%, beta of 0.70 and an equity risk premium of 5.8%. Government bond yield is calculated after adding Egypt's 10-year spread over the 10-year US risk-free rate. Cost of debt is calculated using a cost of debt of 16.5% after adjusting for a tax rate of 27.7% to arrive at the after-tax cost of debt of 11.9%. Also, assumed a terminal growth rate of 2.5%. We also added the book value of Vodafone Egypt to arrive at the valuation of Telecom Egypt.

| | |
|--|----------------|
| Sum of PV (EGP, Mn) | 59,816 |
| Terminal value (EGP, Mn) | 137,310 |
| FV to Common shareholders (EGP, Mn) | 162,302 |
| No. of share (Mn) | 1,707 |
| Current Market Price (EGP) | 89.00 |
| Fair Value per share (EGP) | 95.08 |

DCF Method

| (All Figures in EGP Mn) | FY 2026E | FY 2027E | FY 2028E | FY 2029E | FY 2030E |
|--------------------------------------|--------------|---------------|---------------|---------------|---------------|
| NOPAT | 23,404 | 25,905 | 28,489 | 31,181 | 33,929 |
| D&A | 17,223 | 19,365 | 21,611 | 23,894 | 26,215 |
| Changes in Working Capital | -297 | 3,753 | 3,533 | 3,563 | 2,943 |
| (-) Capex | -30,649 | -33,801 | -37,469 | -36,668 | -40,447 |
| Free Cash Flow to Firm (FCFF) | 9,682 | 15,221 | 16,164 | 21,970 | 22,641 |
| Discounting Factor | 0.91 | 0.81 | 0.72 | 0.64 | 0.57 |
| Discounted FCFF | 8,781 | 12,306 | 11,649 | 14,115 | 12,966 |

Source: FAB Securities

2) Relative Valuation:

We have used local as well as international peers to value Telecom Egypt, and it is valued using the EV/EBITDA multiple. We applied a discount to peer valuation since it operates in a region which faced considerable currency risk and expect this discount to be maintained as the risk will not fade out any time soon. It is valued at 2026 EV/EBITDA of multiple of 4.0x compared to a peer multiple of 5.3x.

| Company | Market (USD Mn) | EV/EBITDA (x) | | P/E (x) | |
|---|--------------------|---------------|-------------|--------------|--------------|
| | | 2026F | 2027F | 2026F | 2027F |
| OOREDOO | 12,197 | 4.5 | 4.4 | 10.7 | 10.2 |
| Maroc Telecom | 9,863 | 6.0 | 5.9 | 16.5 | 16.3 |
| Emirates Integrated Telecommunication Company | 13,512 | 6.2 | 6.0 | 15.7 | 15.1 |
| Mobile telecommunication company | 7,652 | 5.3 | 5.0 | 8.5 | 7.9 |
| Deutsche Telekom AG | 1,88,507 | 7.1 | 6.7 | 15.4 | 13.7 |
| Oman Telecommunications Co | 2,497 | 4.8 | 4.7 | 11.0 | 9.7 |
| Mobily | 13,402 | 7.0 | 6.6 | 13.2 | 12.1 |
| MTN Group LTD | 23,761 | 4.6 | 3.9 | 11.9 | 9.6 |
| Telkom SA | 1,992 | 3.3 | 3.2 | 10.2 | 9.0 |
| Average | | 5.4x | 5.1x | 12.6x | 11.5x |
| Median | | 5.3x | 5.0x | 11.9x | 10.2x |
| Max | | 6.2x | 6.0x | 15.4x | 13.7x |
| Min | | 4.6x | 4.4x | 10.7x | 9.6x |

Source: FAB Securities

Research Rating Methodology:

| Rating | Upside/Downside potential |
|------------|---------------------------|
| BUY | Higher than +15% |
| ACCUMULATE | Between +10% to +15% |
| HOLD | Lower than +10% to -5% |
| REDUCE | Between -5% to -15% |
| SELL | Lower than -15% |

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