First Look Note | 3Q26

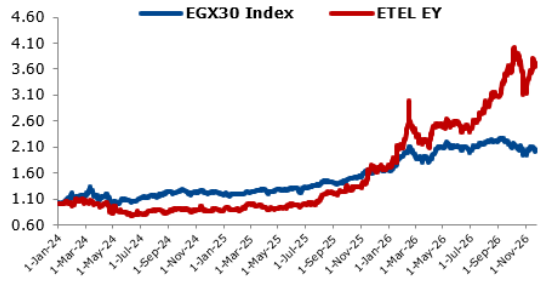
EGYPT Equity Research | Sector: Telecom | Market: EGX

Telecom Egypt (ETEL)

Expanding customer base and tariff hikes drove profitability

Current Price	Target Price	Upside/Downside (%)	Rating
EGP 139.98	EGP 155.00	+11%	ACCUMULATE

- Fixed Broadband subscribers rose 8.1% YOY to 11.7 Mn, Fixed Voice subscribers base grew 5.6% YOY to 14.6 Mn, while Mobile subscribers grew 3.3% YOY to 15.3 Mn in 3Q26.
- Fixed Broadband ARPU increased 20% YOY to EGP 367, while Fixed Voice ARPU rose 6% YOY to EGP 50 in 9M26.
- In 3Q26, the Company's customer base continued to expand, with net addition of c. 629K subscribers to the customer base.
- For 2027, the Board approved a budget guiding to low double-digit revenue growth, EBITDA margin in the low to mid 40% range, in-service capex-to-sales in the mid 20% range and FCFF to EBITDA in the low to mid 40% range.



Stock Information	
Market Cap (EGP, Mn)	238,955.88
Paid Up Capital (Mn)	17,070.72
52 Week High	156.00
52 Week Low	60.51
3M Avg. daily value (EGP)	260,511,000

3Q26 Result Review (EGP, Mn)	
Total Assets	242,595
Total Liabilities	159,844
Total Equity	82,751
EBITDA	16,527
Net Profit	8,981

Financial Ratios	
Dividend Yield (12m)	1.07
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	8.66
Price-to-Book Ratio (x)	2.89
Book Value (EGP)	48.45
Return-on Equity (%)	39.47

Stock Performance	
5 Days	-2.11%
1 Months	4.54%
3 Months	20.15%
6 Months	46.58%
1 Year	112.74%
Month to Date (MTD%)	16.55%
Quarter to Date (QTD%)	4.46%
Year to Date (YTD%)	112.83%

3Q26 Net Profit higher than our estimate

Telecom Egypt's (ETEL/The Company) net profit attributable to equity shareholders increased 39.0% YOY to EGP 8,981 Mn in 3Q26, higher than our estimate of EGP 8,182 Mn. The was driven by higher operating revenue and income from associates coupled with lower other net operating expenses and share of profit to NCI holders. This was partially offset by higher operating costs, selling and overhead expenses, provisions for expected credit losses, finance costs and tax expenses coupled with decrease in finance income.

P&L Highlights

Telecom Egypt's revenue grew 23.1% YOY to EGP 34,154 Mn in 3Q26, mainly driven by strong revenue growth across the Retail and Domestic Wholesale segment. Retail segment remained the key growth driver as revenue rose 34.7% YOY to EGP 21,363 Mn in 3Q26. Revenue from Home Services grew 33.8% YOY to EGP 17,753 Mn in 3Q26, supported by a growth in Data revenue, coupled with expansion in consumer base and tariff hikes. Enterprise Solution revenue grew 39.3% YOY to EGP 3,610 Mn in 3Q26, supported by growth in data, voice and connectivity services. Wholesale segment revenue grew 7.7% YOY to EGP 12,791 Mn in 3Q26. Domestic Wholesale revenue grew marginally by 0.4% YOY to EGP 2,852 Mn in 3Q26. International Carriers revenue increased 2.4% YOY to EGP 5,160 Mn in 3Q26. International Cables & Networks revenue increased 19.5% YOY to EGP 4,778 Mn in 3Q26. Furthermore, operating costs rose 20.2% YOY to EGP 18,869 Mn in 3Q26. Thus, gross profit grew 27.0% YOY to EGP 15,285 Mn in 3Q26 with gross profit margin expanding by 136 bps YOY to 44.8% in 3Q26. Selling and overhead expenses increased 11.6% YOY to EGP 4,090 Mn in 3Q26. ETEL's net other operating expense improved from EGP 1,149 Mn in 3Q25 to EGP 23 Mn in 3Q26, while the provisions for expected credit loss increased 45.2% YOY to

EGP 228 Mn in 3Q26. Operating profit rose to EGP 10,944 Mn in 3Q26 from EGP 7,064 Mn in 3Q25 and operating margins expanded 657 bps YOY to 32.0% in 3Q26. Similarly, the Company's EBITDA increased 31.3% YOY to EGP 16,527 Mn in 3Q26, and EBITDA margin expanded 300 bps to 48.4% in 3Q26, demonstrating strong revenue growth coupled with operational efficiency. Income from associates rose 27.7% YOY from EGP 4,157 Mn in 3Q25 to EGP 5,310 Mn in 3Q26, owing to the strong contribution from Vodafone Egypt. Finance income declined from EGP 1,013 Mn in 3Q25 to EGP 146 Mn in 3Q26. Finance cost rose 43.9% YOY to EGP 4,956 Mn in 3Q26, driven by foreign exchange losses, partially offset by a decline in interest expense. Income tax increased 6.0% YOY to EGP 2,462 Mn in 3Q26. Share of profit to non-controlling interest holders decreased from EGP 6 Mn in 3Q25 to EGP 2 Mn in 3Q26.

Balance Sheet Highlights

Telecom Egypt's cash and cash equivalents (excluding financial assets at amortised costs) stood at EGP 8.0 Bn in 3Q26, broadly unchanged from 2Q26. Total debt declined from EGP 71.5 Bn in 2Q26 to EGP 56.7 Bn in 3Q26, while the net debt/EBITDA ratio improved to 0.8x in 3Q26 from 1.2x in 2Q26. Cash capex decreased from EGP 9.8 Bn in 2Q26 to EGP 7.8 Bn in 3Q26, while the in-service capex remained broadly flat at c. EGP 3.7 Bn in 3Q26 compared with EGP 3.6 Bn in 2Q26. Thus, due to lower capex and higher EBITDA, the free cash flow to firm increased from EGP 3.6 Bn in 2Q26 to c. EGP 17.9 Bn in 3Q26.

Target Price and Rating

We revise rating our rating from HOLD to ACCUMULATE on Telecom Egypt with a revised target price of EGP 155.0. ETEL delivered a strong quarter, supported by sustained revenue growth across the Retail and Wholesale segments alongside higher data revenue, tariff adjustments and higher capacity sales. In 3Q26, the Company's customer base continued to expand, with net addition of c. 629K subscribers to the customer base. The Fixed Voice base grew 5.6% YOY and 1.8% QOQ to 14.6 Mn in 3Q26, while the Fixed Broadband base grew 8.1% YOY and 2.4% QOQ to 11.7 Mn in 3Q26. The Mobile subscriber base increased 3.3% YOY and 0.6% QOQ to 15.3 Mn in 3Q26. This growth was supported by continued data adoption, customer base expansion and higher ARPU. Data remained a key growth driver within the consumer business, supported by continued growth in the fixed broadband customer base and higher usage. The Company's Fixed Broadband ARPU increased 20% YOY to EGP 367 and Fixed Voice ARPU increased 6% YOY to EGP 50 in 9M26. Furthermore, Telecom Egypt continued to advance its network and infrastructure roadmap, including the signing of an agreement to construct the multiple-petabit Sharm El Sheikh–Taba subsea cable, which strengthens Egypt's eastern digital corridor in line with the Company's new strategy. ETEL expects subsea cable project revenue to recover to c. USD 120-135 Mn in 2027, after Red Sea disruption delayed connections. Capacity sales, O&M and ancillary services are recurring and growing, with part of the capacity revenue still to be recognised in 4Q26. On the strategic front, ETEL's Board resolved not to proceed with the proposed transaction with Helios Investments for a 75-80% stake in the subsidiary that would own the Regional Data Center Hub (RDH). Despite this, data centers remain a core business: ETEL holds c. 50% of Egypt's data center market and plans to lift capacity from 7 MW to at least 17 MW, built in phases as demand appears. The contribution is small today but expected to rise significantly from 2027. The assets are moving into a 100% owned subsidiary, which allows a separate valuation. During 3Q26, ETEL was also included in the FTSE Emerging Markets Index following its upgrade from the Small Cap to the Mid Cap segment within the FTSE Global Equity Index Series. ETEL's cash capex stood at EGP 26.3 Bn in 9M26 (28% of sales) compared with EGP 20.9 Bn in 9M25, while in-service capex declined to EGP 8.6 Bn (9% of sales) from EGP 12.2 Bn in 9M25. Cash generation improved significantly, with FCFF rising from EGP 12.1 Bn in 9M25 to EGP 28.0 Bn in 9M26, supporting a reduction in total debt to EGP 56.7 Bn from EGP 73.8 Bn at FY2025 and in net debt to EBITDA to 0.8x from 1.3x during the period. The Company expects net debt/EBITDA to fall further to c. 0.7x in 2027 and ETEL to return to net cash in c. 3-5 years. It said the EBITDA margin expansion is organic rather than one-off. There is no formal dividend policy, but management intends to raise payouts gradually as cash allows. Maintained 2026 guidance at high single-digit revenue growth, low 40% EBITDA margin, low 20% in-service capex-to-sales and mid 30% FCFF-to-EBITDA, with revenue growth now expected to exceed guidance. The Company recorded 9M26 revenue growth of 19.5% and EBITDA margin of 46.1%, along with in-service capex-to-sales and FCFF, were all ahead of budget. For 2027, the Board approved a budget guiding to low double-digit revenue growth, EBITDA margin in the low to mid 40% range, in-service capex-to-sales in the mid 20% range and FCFF to EBITDA in the low to mid 40% range. Overall, strong revenue momentum, improving

customer monetisation, a stronger balance sheet and continued capex execution across network and digital infrastructure initiatives position the Company well for sustained earnings growth. Despite the strong operating momentum and positive outlook, we revise our rating to ACCUMULATE on the stock.

Telecom Egypt - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	31.55	29.69	23.43	28.63	11.48	8.46
PB	5.28	5.04	4.60	5.09	3.68	2.63
EV/EBITDA	17.27	15.08	12.02	9.41	6.30	5.10
BVPS	25.960	27.168	29.798	26.897	37.284	52.069
EPS	4.343	4.614	5.847	4.786	11.933	16.205
DPS (EGP)	1.000	1.250	1.500	1.500	1.500	1.600
Dividend yield	0.7%	0.9%	1.1%	1.1%	1.1%	1.1%

FABS Estimates & Co Data

Telecom Egypt – P&L

EGP Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Operating Revenue	27,735	31,005	34,154	32,907	3.8%	23.1%	10.2%	106,673	129,135	21.1%
Operating costs	-15,701	-17,715	-18,869	-18,658	1.1%	20.2%	6.5%	-61,834	-72,961	18.0%
Gross profit	**12,034**	**13,290**	**15,285**	**14,249**	**7.3%**	**27.0%**	**15.0%**	**44,839**	**56,174**	**25.3%**
Selling & overhead exp	-3,664	-4,236	-4,090	-4,475	-8.6%	11.6%	-3.5%	-14,720	-16,904	14.8%
Net operating revenue / (expense)	-1149	232	-23	197	-111.8%	-98.0%	-110.1%	-1350	478	-135.4%
(Provision)/Reversal of expected credit loss provision	-157	-321	-228	-250	-8.9%	45.2%	-29.1%	-726	-646	-11.1%
Operating profit	**7,064**	**8,964**	**10,944**	**9,721**	**12.6%**	**54.9%**	**22.1%**	**28,042**	**39,102**	**39.4%**
EBITDA	**12,589**	**13,901**	**16,527**	**14,040**	**17.7%**	**31.3%**	**18.9%**	**47,495**	**59,146**	**24.5%**
Income from Associates	4,157	5,374	5,310	5,385	-1.4%	27.7%	-1.2%	14,828	19,425	31.0%
Finance Income	1,013	186	146	379	NM	-85.6%	-21.4%	1,794	823	-54.1%
Finance Cost	-3,444	722	-4,956	-3,609	NM	43.9%	NM	-13,753	-17,920	30.3%
Profit before Tax	**8,790**	**15,246**	**11,445**	**11,876**	**-3.6%**	**30.2%**	**-24.9%**	**30,911**	**41,430**	**34.0%**
Income tax	-2,323	-3,479	-2,462	-3,681	-33.1%	6.0%	-29.2%	-8,569	-9,115	6.4%
Profit before NCI	**6,467**	**11,767**	**8,983**	**8,194**	**9.6%**	**38.9%**	**-23.7%**	**22,342**	**32,315**	**44.6%**
Non-controlling interest	-6	-4	-2	-12	NM	NM	NM	-23	-14	NM
Profit from discontinued operations	0	67	0	0	NM	**NM**	-100.0%	237	136	-42.6%
Net Profit	**6,461**	**11,830**	**8,981**	**8,182**	**9.8%**	**39.0%**	**-24.1%**	**22,555**	**32,437**	**43.8%**

FABS estimate & Co Data

Telecom Egypt - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	43.4%	42.9%	44.8%	136	189	42.0%	43.5%	147
EBITDA	45.4%	44.8%	48.4%	300	356	44.5%	45.8%	128
Operating Profit	25.5%	28.9%	32.0%	657	313	26.3%	30.3%	399
Net Profit	23.3%	38.2%	26.3%	300	NM	21.1%	25.1%	397

FABS estimate & Co Data

Key Development

- **16 July 2026:** Telecom Egypt has announced not to proceed with the proposed Helios transaction for the Regional Data Centre Hub and the Company will establish a 100% wholly owned data-center subsidiary, supported by a specialized team to focus on expanding operations. This structure is expected to allow the Company to retain full control of the business and capitalize on rising data-center demand in Egypt.
- **3 September 2026:** Telecom Egypt signed an agreement to construct the multiple-petabit Sharm El Sheikh–Taba subsea cable, advancing Egypt's eastern digital corridor in line with its new strategy.

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	137.27	80.0%	109.82
Relative Valuation (RV)	225.92	20.0%	45.18
Weighted Average Valuation (EGP)			**155.00**
Current market price (EGP)			139.98
Upside/Downside (%)			+11%

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 16.5%. It is arrived at after using the cost of equity of 17.6% and an after-tax cost of debt of 11.9%. Cost of equity is calculated by using a 10-year government bond yield of 4.8%, country risk premium of 9.7%, beta of 0.70 and an equity risk premium of 4.5%. 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)	53,360
Terminal value (EGP, Mn)	25,789
FV to Common shareholders (EGP, Mn)	**234,329**
No. of share (Mn)	1,707
Current Market Price (EGP)	139.98
Fair Value per share (EGP)	**137.27**

DCF Method

(All Figures in EGP Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
NOPAT	28,262	30,156	31,996	33,351	35,629	39,168
D&A	20,044	21,728	23,967	26,269	28,015	29,840
Change in working capital	935	2,654	3,075	4,450	2,672	1,426
(-) Capex	-33,833	-37,372	-41,201	-45,194	-53,318	-62,759
Free Cash Flow to Firm (FCFF)	**15,408**	**17,166**	**17,837**	**18,875**	**12,999**	**7,675**
Discounting Factor	*0.98*	*0.84*	*0.72*	*0.62*	*0.53*	*0.46*
Discounted FCFF	**3,784[1]**	**14,477**	**12,914**	**11,733**	**6,936**	**3,516**

Source: FAB Securities, [1]Adjusted for partial year

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 2027 EV/EBITDA of multiple of 3.6x compared to a peer multiple of 4.8x.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
OOREDOO	11,349	4.3	4.2	10.3	9.8
Maroc Telecom	7,891	5.3	5.2	14.7	14.4
Mobile telecommunication company	7,913	6.0	5.6	7.4	9.4
Deutsche Telekom AG	144,731	5.9	5.5	12.0	10.5
Oman Telecommunications Co	2,640	4.9	4.5	9.0	10.2
Mobily	12,171	6.4	6.1	12.2	11.3
MTN Group LTD	24,449	3.9	3.3	13.7	11.0
Telkom SA	2,094	3.2	3.1	9.0	8.3
Average		**5.0x**	**4.7x**	**11.0x**	**10.6x**
Median		**5.1x**	**4.8x**	**11.1x**	**10.4x**
Max		**5.9x**	**5.5x**	**12.6x**	**11.1x**
Min		**4.2x**	**4.0x**	**9.0x**	**9.7x**

Source: FAB Securities

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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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